SUPERIOR COURT OF THE STATE OF CALIFORNIA
FOR THE CITY AND COUNTY OF SAN FRANCISCO
CASE NO: 980864

THE PEOPLE OF THE STATE OF CALIFORNIA, et al.,

Plaintiff,

vs.

PHILIP MORRIS, INC., et al.,

Defendant.

COPY

CONFIDENTIAL

Videotaped Deposition of EDMUND CONGER LEARY

Volume I

(Taken by Plaintiff)

Winston-Salem, North Carolina

July 22, 1998

Reported by: Marne L. Hamilton
Notary Public

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COMMONWEALTH OF MASSACHUSETTS

MIDDLESEX, ss. SUPERIOR COURT DEPARTMENT
OF THE TRIAL COURT
CIVIL ACTION NO. 95-7378-J

- x
COMMONWEALTH OF MASSACHUSETTS, :
:
Plaintiff, :
:
vs. :
:
PHILIP MORRIS, INC., et al., :
:
Defendant. :
- x

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Volume I

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Videotaped deposition of EDMUND CONGER LEARY, taken by the Plaintiffs, at Womble, Carlyle, Sandridge & Rice, 200 West Second Street, Winston-Salem, North Carolina, on the 22nd day of July, 1998, at 9:03 a.m., before Marne L. Hamilton, Notary Public.

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PROCEEDINGS

VIDEOGRAPHER: Today is July 22nd, 1998. The time is 9:03 a.m. Would the court reporter please swear the witness.

COURT REPORTER: Will you raise your right hand and place your left hand on the Bible. Do you solemnly swear the testimony you give will be the truth, the whole truth, and nothing but the truth, so help you God?

WITNESS: I do.

EXAMINATION BY COUNSEL FOR PLAINTIFF

BY STEPHEN H. CASSIDY:

Q. Good morning. Could you please state your name for the record.

A. My full name is Edmund Conger Leary.

Q. And I've heard it referred to that you go by Ned Leary.

A. I do.

Q. Okay. Would it be proper if I use -- refer to you as Ned today, or Mr. Leary?

A. It would.

Q. Thank you. Do you understand, Mr. Leary, today that you're testifying in two different lawsuits?

A. Yes.

Q. And do you know what states those lawsuits are being brought in?

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A. Yes.

Q. Okay. And what states are those?

A. It's California and Arizona.

Q. Actually, Mr. Leary, it's within the -- lawsuit within California and the Commonwealth of Massachusetts, but I will show you letters to that effect.

MR. BEACH: Let me just note for the record, Mr. Cassidy, that it's not at all clear to me that this deposition has been cross-noticed in the Massachusetts action that you have represented, and so I'm going to object to the extent that there is an assertion, at this point at least, that this deposition has been cross-noticed in that action.

MR. CASSIDY: Okay. Could the court reporter please mark as Exhibit #1.

(Exhibit #1 marked for identification.)

Q. Mr. Leary, the court reporter has handed to you as Exhibit #1 a letter of May 22nd, 1998 from Michael Sobol to Todd Thompson. Have you ever seen this letter previously?

A. No.

Q. Are you being produced today by R.J.R. Reynolds to speak as the person most knowledgeable with respect to any particular topic?

MR. BEACH: Mr. Cassidy, it seems to me that

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you're asking the witness to comment upon conversations between counsel to which he's indicated he's not familiar with this correspondence and to which he was not a party. Why don't you just go ahead and ask your questions?

MR. CASSIDY: I think, Counsel, maybe you're not aware of a stipulation that's been entered between the parties, and that is that there will not be any speaking objections at the deposition. But, you know, in terms of these preliminary inquiries, that's fine. I don't believe it revolves around --

Q. I'm not asking you for specific statements, I'm just asking what is your understanding as to -- and which topics, if any, that you're testifying today.

A. I believe I'm here because I have knowledge of the marketing activities and my responsibilities at R.J. Reynolds.

Q. Okay. And is it your understanding that you're testifying today as the person most knowledgeable with respect to any particular marketing activities of R.J.R. Reynolds?

A. I believe I'm the person most responsible for the marketing activities of Winston cigarettes.

Q. Well, would it be more accurate to say that you are the person most knowledgeable?

A. I am. Well, I know a great deal about Winston.

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Q. If anyone else has knowledge of marketing of Winston cigarettes, that knowledge is not necessarily greater than your knowledge?

A. Not necessarily.

Q. Okay. Would there be anyone else that you would identify as having equal knowledge as to the marketing of Winston-Salem -- of Winston cigarettes as you do?

MR. BEACH: We're talking about right now, correct?

MR. CASSIDY: Yes.

A. I'm responsible for the marketing of Winston cigarettes. I obviously have a boss who's very familiar with Winston cigarettes' marketing as well.

Q. And can you please identify the name of your boss?

A. Lynn Beasley.

Q. And what time frame would you place upon your knowledge as being -- within R.J.R. Reynolds as being one of the persons most knowledgeable with respect to the marketing activities of Winston cigarettes?

A. May I see the -- my resume document that I handed you at the very beginning. I think it's --

Q. Sure.

MR. CASSIDY: Why don't we mark this then as Exhibit #2.

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(Exhibit #2 marked for identification.)

A. I became involved with Winston in August of 1993 and was made the director of Winston in December of '94, so from the time of December of '94 to the -- to the present I've had a great deal of knowledge about -- about Winston.

Q. Okay. Thank you.

MR. CASSIDY: If the court reporter could please mark this as Exhibit #3.

(Exhibit #3 marked for identification.)

Q. Mr. Leary, I've given to you a document that's been previously used in depositions with R.J.R. Reynolds employees, that's why there's also a plaintiff's exhibit number listed on this. And this is entitled "Notice of Deposition of R.J.R. Reynolds Tobacco Company" in the action of The People of State of California versus Philip Morris, case number 980864. Have you ever seen this document before?

A. I'm briefly familiar with this document, yes.

Q. Well, does briefly familiar mean that you have seen the document?

A. I've seen this document.

Q. Okay. And what is your familiarity with this document?

A. I've seen it and I have looked through it.

Q. Okay. Do you notice on page 2 there's a roman

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numeral two and it says deposition subjects?

A. Uh-huh.

Q. Have you examined the deposition subjects that are listed here in the notice of deposition?

A. I've looked through it, yes.

Q. Are you the person most knowledgeable at R.J.R. Reynolds with respect to any of the nine deposition subjects that are identified in this notice?

A. Under section 2?

Q. Yes, from page 2 through page 9.

A. Well, there's --

Q. And I'm just talking about the -- not the subpoints, you know, the little A's through et cetera, just the bolded subject numbers that are listed.

A. In regard to my current responsibilities at Reynolds and my role in Winston, I am involved with outdoor advertising of Winston, magazine advertising of Winston, cigarette-related merchandise pertaining to Winston, sampling of free cigarettes to adult smokers of Winston, point of sale advertising, I'm involved in sponsorship of sporting events.

MR. BEACH: Just so the record's clear here, I'm under the impression, Mr. Cassidy, that we have made Mr. Leary available at the specific request of another lawyer from your office, so to a certain extent, this deposition

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exceeds the scope of the subject areas identified in the notice that's in front of the witness right now as Exhibit #3.

Q. Is that the exclusive listing of subject matters that you're familiar with in terms of this deposition notice that you have given me? You said outdoor advertising, magazine advertising, cigarette-related merchandising, sampling, point of sale, marketing, sponsorship of sporting events, with respect to Winston cigarettes.

A. All in respect to Winston cigarettes. What -- limited -- I assume catalog advertising, what does -- what does that mean?

Q. Well, why don't you look at subcategories listed within there and tell me if you are knowledgeable with respect to any of those specific descriptions for Winston cigarettes.

A. If it means -- Well, they all refer back to catalog advertising.

Q. Does that term have no meaning to you as an employee of R.J.R. Reynolds?

A. Not specifically catalog advertising. I'm not responsible directly -- or the most responsible person for anti-youth targeting, nor marketing research.

Q. Is there any anti-youth targeting that's done on

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a brand basis by R.J.R. Reynolds?

A. The company historically has been very active in programs to discourage youth from smoking. It's done on a corporate basis and not done on a brand-by-brand basis. However, I'm not intimately involved in those programs, so I'm really not the one to ask.

Q. But there's no anti-youth targeting done on a brand basis then, correct?

A. I can speak to what we do on Winston. We do not have an anti-youth targeting, though we have several things that we do to make sure that only the -- only adult smokers are targeted with our marketing efforts or have access to the programs that we execute.

MR. CASSIDY: I'd like to mark as Exhibit #4 a second deposition notice for R.J.R. Reynolds Tobacco Company.

(Exhibit #4 marked for identification.)

MR. BEACH: Just so the record's clear, what you have been handed, Mr. Leary, is not a document entitled second deposition notice, it's entitled "Notice of Deposition of R.J.R. Reynolds Tobacco Company," and it's filed in the Massachusetts Attorney General litigation. And I'm going to have a continuing objection to questions that pertain to this document in this deposition.

MR. CASSIDY: I'll stipulate to that.

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Q. Mr. Leary, I've given you here a deposition notice on R.J.R. Reynolds Tobacco Company in the action of the Commonwealth of Massachusetts versus Philip Morris, Superior Court, trial number 95-7378-J. Have you ever seen this particular document before?

A. I've seen a document that's similar to this. Whether it's this exact document, I don't know, but I've seen language that's similar to this.

Q. Okay. I'm not going to go through the categories that you mentioned previously, but Exhibit #3, which was the notice of deposition in the action coming out of the State of California, that was related to activities in California, and this deposition notice is related to activites in the State of Massachusetts. Your knowledge, with respect to the categories that you have mentioned on Winston cigarettes, again, the outdoor advertising and the magazine advertising, cigarette-related merchandising, sampling, point of sale, and sponsorship of sporting events; is that on a national basis?

A. Yes, it is.

Q. So would you be also then most knowledgeable with respect to that list that I have just provided concerning Winston activities in California?

A. Yes.

Q. And is the answer the same with respect to

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activities in the State of Massachusetts?

A. We market Winston on a national basis to adult smokers.

Q. Are there any regional marketing activities that occur that substantially vary from the national marketing of Winston cigarettes, at least in 1998?

A. Some of the programs that we execute in an effort to interest adult smokers of Winston have some regionality to them, for instance, sporting events take place in certain locales, so some do, some don't.

Q. Well, can you think of any particular marketing activities with respect to Winston cigarettes that occur in California that don't occur elsewhere?

A. Not on -- Not on a general basis. It's a national marketing plan and --

Q. And the same question but with respect to the State of Massachusetts?

A. In general, Winston's marketing efforts are nationally oriented, but programs, certain programs, have regional skews.

Q. Okay. Could please provide me your current work address?

A. 105 North Main, Winston-Salem, R.J. Reynolds Tobacco Company.

Q. And what is your current title?

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A. Vice-president of Winston.

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Q. How old are you, Mr. Leary?

A. Forty-two.

Q. Have you testified previously in a deposition or trial or under oath as an employee of R.J.R. Reynolds Tobacco Company?

A. No.

Q. And that would include any governmental investigations.

A. I haven't testified under oath under any investigation.

Q. Okay. Well, let me review some of the procedures that occur with a deposition.

MR. CASSIDY: Counsel, if you want to correct or interject, feel free to.

Q. You have been given an oath by the court reporter. Do you understand that that oath is the same as what oath that you would be read if you were testifying in

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a court of law?

A. Yes.

Q. Okay. And then in terms of taking down testimony today, you have to answer verbally to the questions that I pose.

A. I understand.

Q. Thank you. I'm entitled to your best answer, but you also don't have to speculate when providing an answer. However, if you can give me a reasonable estimate, you should give that to me.

A. Okay.

Q. Sometimes it's a little confusing what's the difference between speculation and reasonable estimate, but I'd ask you to keep that in mind throughout the deposition. I'll try not to speak over you. There might be times when that will occur, and if it does, I'll apologize. But this isn't a normal conversation, obviously, and that's because the court reporter can only take down the statements of one person at a time. Do you have -- Is there any reason as to why you cannot testify truthfully and accurately today?

A. No.

Q. Okay. Without revealing any specific statements by counsel, how did you prepare for today's deposition?

A. We met and discussed that I'd be going to a deposition.

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Q. And who is the we in the we met?

A. Geoff and I.

Q. Did you meet with any other attorneys with respect to today's deposition?

A. I met with Bob McDermott.

Q. Okay. And how many -- If these were different meetings, how many different meetings were they?

A. I'm not sure of the number, maybe three or four.

Q. And can you give me the cumulative time period of these meetings?

A. Maybe ten to twelve hours.

Q. Did you have discussions with any persons other than attorneys with respect to your deposition testimony today?

A. No.

Q. So you didn't meet with any fellow employees of R.J.R. Reynolds?

A. No.

Q. Did you review any prior deposition testimony of any other person for R.J.R. Reynolds in preparing for today's deposition?

A. No.

Q. Did you specifically look at any documents in preparation for today's deposition?

MR. BEACH: Other than what he has already

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testified he looked at?

MR. CASSIDY: Well, no, I'd like to know if he's looked at any specific documents.

Q. And you can include -- and if that includes the ones that I've shown you today, please state so.

A. Could you repeat the question, please.

Q. Did you look at any papers, so to speak, for today's deposition, in preparation for today's deposition?

A. Not other than what we've looked at here.

Q. Okay. And just to be clear, you're referring to Exhibit #4 and Exhibit #3?

A. Well, --

Q. It's your understanding they were at least documents substantially similar to Exhibit #4 and Exhibit #3?

A. (Nods head affirmatively)

Q. If you could articulate an answer.

A. Yes. Yes.

Q. You weren't -- And not to beat a dead horse here, but you weren't shown any other documents by counsel in preparation for these meetings?

MR. BEACH: Objection to form of the question, asked and answered. You don't need to answer that, Ned.

MR. CASSIDY: Are you instructing the witness not to answer the question?

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MR. BEACH: He already answered your question, Counselor, why don't you move along.

MR. CASSIDY: Excuse me. Are you instructing the witness not to answer my question?

MR. BEACH: I'm objecting to the form of the question on the grounds that it's asked and answered. If you want to tell him again, you can tell him again.

MR. CASSIDY: Counsel, I'd appreciate you not to instruct the witness throughout the next two days not to answer a question unless you can state an objection on the basis of privilege. And I believe that is -- that you would have that understanding under California and Massachusetts law, it's not proper to instruct a witness not to answer a question unless you can articulate a basis under a privilege.

MR. BEACH: Mr. Cassidy, your lecture is unnecessary and inappropriate. I will instruct the witness as I see fit. Go ahead and ask your next question or reask the question that's pending.

Q. Did you look at any other types of papers in preparing for today's deposition?

A. No.

Q. Okay. Who, if anyone, informed you that you were going to be a witness on behalf of R.J.R. Reynolds today?

A. I cannot recall exactly who made the initial

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contact and said you're going to be deposed.

MR. CASSIDY: Could please mark this as the next exhibit.

(Exhibit #5 marked for identification.)

Q. Mr. Leary, I have handed you what's been marked as Exhibit #5, and this is identified as "Plaintiffs' Sixth Request for Production of Document on new R.J.R. Reynolds Cigarettes," and this is a document in the action of the People of the State of California versus Philip Morris. Have you ever seen this document previously? And it might be best if you turn to page 4 that has under roman numeral three two different document requests.

A. I don't know whether I have seen this specific document. I know that requests were made for information relating to this, but I can't really say whether I have seen this specific document.

Q. What was your understanding, and again without revealing specific statements by counsel, as to the nature of the request that was made for documents?

A. Basically, we're to turn over all documents related to Winston and the No Bull campaign.

Q. And did you have an understanding as to the time frame in which you were to provide -- the time frame of the documents themselves of which you were to provide to counsel?

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A. I can't recall the time frame. We regularly produce documents, and it's handled according to what the requests from our counsel are.

Q. Did you personally search for any documents on Winston cigarettes with respect to this document request?

A. We have people that handle document retention and document request, and they handle it, they contact the people affected and handle it.

Q. Do you have your own personal office at R.J.R. Reynolds Tobacco Company?

A. Yes.

Q. Do you have papers in your office with respect to Winston cigarettes?

A. Yes.

Q. Do you have any knowledge as to whether those documents were examined by the personnel at R.J.R. Reynolds that are assigned to document --

A. Yes.

Q. If I could just finish my question. That are assigned to document collection?

A. Yes.

Q. Okay. Do you have any videotapes that are related to the marketing of Winston cigarettes?

A. What we have is in the course of marketing Winston's produced videotapes, yes.

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Q. Could you give me a description of those?

A. They are motor sports related. They are basically videos about motor sports.

Q. And what type of motor sports?

A. We have one on NASCAR Winston Cup racing, and we have one on NHRA Winston drag racing.

Q. Is that an exclusive list of motor sports?

A. We have -- We've done more than one. It's basically -- It's those two groups, and they get updated over time, or we produce new ones, but that's the type of videos they are.

Q. Are there any other sports-related merchandise -- or marketing videos on Winston cigarettes?

A. (Shakes head negatively)

Q. Are there any videos that are produced with respect to internal presentations by personnel for R.J.R. Reynolds?

A. In respect to Winston I have done a videotape for the sales force that laid out -- Actually, it was specific to a promotion we're executing this year around racing called the No Bull 5.

Q. Well, you answered my question with respect specifically to Winston. Are there other videotapes that have been produced by R.J.R. Reynolds, and within those -- within the content of those videotapes there's mention of

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the sale of Winston cigarettes?

A. Not to my knowledge. Not that I can think of now.

Q. Not even, for example, videotapes or a videotape that would be presented at a meeting, say, of the Board of Directors of R.J.R. Reynolds Tobacco Company?

A. I don't have knowledge of that.

Q. Or a videotape with respect to Winston cigarettes that was presented at a meeting involving executives from R.J.R. Nabisco Company?

A. I have no knowledge of that.

MR. CASSIDY: Counsel, the plaintiffs have not received a copy of the videotape on the sales force that Mr. Leary has just mentioned, and I would request that that be produced by R.J.R. Reynolds Tobacco Company.

MR. BEACH: I'm sure we can resolve that after this deposition.

MR. CASSIDY: Okay. Thank you.

Q. Mr. Leary, could you give me your educational background starting with your college?

A. I went to Hampden-Sydney College in Virginia and received a B.S. in political science and foreign affairs.

Q. What year did you graduate?

A. 1977.

Q. And did you do well in college?

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A. It's a relative term. I did -- I graduated on time.

Q. Did you graduate with any honors?

A. No.

Q. Have you received any other degrees from any --

A. I received a M.B.A. from Badcock School of Management at Wake Forest University in 1984.

Q. And is that located close to where we are presently?

A. It is.

Q. Did you graduate with any honors from business school?

A. No.

Q. In business school did you take any courses related to marketing?

A. Yes.

Q. Could you describe those, at least the titles of those courses?

A. I can't remember the titles of them. They were marketing-oriented courses. I also took courses in finance and operations, and basically the full M.B.A. curriculum.

Q. Well, were there multiple courses in marketing?

A. I believe so.

Q. Did you study marketing theory?

A. What do you mean by marketing theory? We studied

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marketing.

Q. Do you have an understanding of any meaning to the term marketing theory?

A. Not a specific understanding of what you mean by that.

Q. Okay. Have you taken any courses involving mathematics, either in your M.B.A. program or in college?

A. Yes.

Q. Okay. And what type of courses were those?

A. Well, in M.B.A. school I took statistics. I think it was called quantitative methods. I'm not real -- I took statistics and quantitative methods, and operations also involved math.

Q. And what about your finance courses?

A. And finance.

Q. And then did you take any courses involving mathematics in college?

A. I'm sure I did. I can't -- I can't recall what they were.

Q. Was calculus one of them?

A. I don't believe I took calculus in college. I started out as premed, and I know there's numbers involved there, so.

Q. Did you have to have an understanding of mathematics for taking any standardized entrance

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examination for your M.B.A. program?

A. I took what -- I think it's called a GMAT in order to go to business school.

Q. And does the GMAT have questions with respect to mathematics on it?

A. You're testing my memory of what was in that test. I would -- It would not surprise me that there were math questions in there.

Q. Since graduation from business school, have you had to use any mathematics in your employment with R.J.R. Reynolds Tobacco Company?

A. Uh-huh. Yes.

Q. And with that have you used any mathematics in 1998?

A. Yes.

Q. Okay. How is your -- How is that understanding or that knowledge applied? If you can give me at least an example.

A. The understanding of math?

Q. Yeah. Or how are you using principles of mathematics in your job in 1998?

MR. BEACH: Objection to the form of the question on the grounds that it's ambiguous and irrelevant.

Q. You can answer -- Can you answer the question?

A. I use it to add and subtract and divide,

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multiply. I mean, there's a lot of numbers involved in management of a business, so I use them daily.

Q. Do you use it in marketing operations?

A. Can you be more specific about marketing operations?

Q. Well, figuring out what allocation of resources, say, for your advertising budget?

A. I use math in developing budgets for the brand.

Q. Okay. When did you first become affiliated with R.J.R. Reynolds Tobacco Company?

A. 1984.

Q. Was that upon graduation from business school?

A. It was.

Q. Have you worked for any other employer, aside from R.J.R. Reynolds, since 1984?

A. No, I have not.

Q. Well, thank you for providing me an outline of your duties with R.J.R. Reynolds, or job titles might be a more accurate characterization. Would you characterize this as job titles, looking at Exhibit #2?

A. Yes.

Q. Okay. What were your duties in the period as identified here from 6/84 to 5/86 as a marketing assistant for Camel cigarettes?

A. As I recall, I was -- I was involved in the

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budgeting for Camel. I was involved in production of Camel advertising. I was involved in some promotion work on Camel.

Q. Would those be the main categories of your duties during that approximate two-year period?

A. Those are the main ones that I -- that I recall.

Q. Okay. With respect to your involvement on production of Camel ads, can you give me some details?

A. Well, the -- from an ad production standpoint, there's areas that involve actually producing the ads, managing the budget for the production of those ads, managing the timing of when those ads will appear, those type things.

Q. What ad campaign was being run on Camel cigarettes at that point and time?

A. I believe at that point and time we were using -- I think we were using Bob Beck, I think we called that the Camel World Campaign.

Q. Is this the gentleman with the curly blond hair?

A. Yes.

Q. Did you -- As part of your duties when you said actually producing the ads, did you ever go on any photo shoots for those ads?

A. No, I did not.

Q. Well, how did you manage the budget for those

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ads?

A. Receive estimates from the agency producing the ads, and then make sure that the budget came in according to the estimate, and then manage variances around that.

Q. By variances, you mean if they exceeded the budget?

A. Or below it.

Q. Do you have any knowledge as to if Mr. Beck is still alive?

A. No, I do not.

Q. Do you have any knowledge as to where he might be living?

A. No, I do not.

Q. How would you work out the budget for these Camel ads?

A. Well, if you're -- Are you referring to production or placement or --

Q. I don't have any knowledge as to how these -- how budgeting is done within the marketing context, so I'm not referring to anything specific.

A. Okay. Well, the way it would work is an establishment of a strategy or objective for the -- for the campaign would be established. The agency would be involved in coming up with ideas to deliver against that strategy. Then the agency would provide how we would

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execute it, in other words, how would we produce an ad or shoot an ad. And then how much would it cost to shoot that ad, when would we shoot that ad, when would we produce the ad, and when would it show up in a magazine or on a billboard, and how much would it cost throughout that process.

Q. Now, by the agency, are you referring to the creative agency that produces the content?

A. Right. That's right.

Q. Okay. Are there other agencies that are involved in the actual placement of the advertisement in magazines or on billboards?

MR. BEACH: Just for clarification, Mr. Cassidy, are you talking about -- we're still -- these questions are focused at the point and time of 1984, June of '84, through May of '86 as -- when Mr. Leary was a marketing assistant on the Camel brand, correct?

MR. CASSIDY: Yes.

A. Could you repeat the question, please.

Q. Were there other agencies, persons not directly affiliated with R.J.R. Reynolds, that were involved in the placement of any ads, specifically in magazines or on outdoor advertising?

A. I don't recall any. That was quite a while ago, but I don't recall right now if there was anybody else

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doing that.

Q. What was the creative agency that you used on the Bob Beck campaign?

A. I really -- I really can't recall exactly. There were agency changes going on on Camel at that point and time, and I'd be speculating if I were to tell you exactly who it was. The account changed during those periods and --

Q. In terms of your duties during this two-year period, were you involved with any focus group research on Camel advertising?

A. Yes.

Q. Could you further explain what those duties were with respect to focus groups?

A. As a marketing assistant, I was primarily an observer at that point and time, and I would go to focus groups and learn how adult consumers -- smokers viewed the campaign.

Q. Were you ever involved in the formation of the topics that were discussed at these focus groups?

A. I don't recall.

Q. What exactly is a focus group? And now I'm asking a question broader than just this two-year period.

A. In the case of my job, a focus group is a type of research whereby you gather adult smokers and focus them on

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an issue to gather their opinions.

Q. Earlier when you talked about the budgeting process, you mentioned establishing strategies and objectives for a particular campaign. How are the strategies and objectives for a campaign incorporated, if they are, in a focus group session?

A. Well, whenever you do any research, you have a learning objective, and you set out to learn something about how adult smokers see a particular marketing program, so you decide why you're going to do the focus groups before you go.

Q. Well, just a further question on the process here. Do you formulate strategies and objectives prior to focus groups, or do you have focus groups and then get information from them and go back and try to then create strategies and objectives? And I've given you two possibilities, and I guess the third possibility is it just happens simultaneously.

A. Well, there's a couple questions here. One is you have a campaign that has objectives and strategies, then you have research that is more specifically focused on the questions you're looking to answer about that campaign or that marketing program. So there's two different things going on, one is campaign development and one is how do we go about better understanding that campaign among adult

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smokers. So there --

Q. Okay. Well, let's -- Is campaign development, is that essentially at the beginning -- at the beginning process of -- I'm not being clear here. If you have a new ad campaign, is that what you're referring to by campaign development?

A. Well, you can certainly develop a new campaign. Any long running advertising campaign is constantly under development, so it's an ongoing process.

Q. Well, let's relate this specifically to Winston cigarettes today. Is that an ongoing process?

A. Yes, it is.

Q. And what activities, with respect to marketing research, are occurring in that ongoing process?

MR. BEACH: Object to the form of the question on the grounds of relevancy.

Q. If there's a -- You can answer the question.

MR. BEACH: When I -- Ned, just so it's clear, if I object to the form of a question, you can still answer it. If my objection distracts you from what the question was, you can ask the court reporter to reread the question to you.

A. Okay. Can I hear the question one more time?

Q. This might not be the precise question, but what are the marketing research activities that are ongoing with

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the current Winston campaign?

A. Marketing research in general for the Winston campaign involves -- well, the campaign specifically involves tracking what adult smokers have seen and what they think of Winston advertising, as well as ongoing development to create new ads which are put in front of adult smokers to gather their interest in Winston based on the advertising.

Q. Do you take new ad proposals to focus groups then and ask what their perceptions are of those ads?

A. Yes.

Q. Okay. Have we pretty much covered the duties and responsibilities that you had as a marketing assistant for Camel cigarettes between '84 and '86?

A. We've covered my -- what I recall to be the primary areas I was involved in, but a long time ago I was involved in a lot of things, but those to me are what are top of mind in terms of what I was doing when I was on Camel then.

Q. Anything else in terms of principal duties and responsibilities that comes to mind?

A. No.

Q. Okay. Let's move up now to the period of 6/86 to 12/87, and it's identified here that you were an assistant marketing manager for Salem cigarettes.

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A. That's right.

Q. Can you identify what duties and responsibilities you had during that period?

A. I was responsible at that point and time for I believe, again I haven't looked back through what my roles were, but I recall being involved in the promotion of Salem, and I also recalled being involved in a packaging change on Salem.

Q. Well, what do you mean by promotion of Salem?

A. Promotion refers to marketing activities designed to interest adult smokers, in this case menthol smokers, in trying Salem.

Q. Well, is there a difference between promotion and advertising?

A. In the way I use the term, advertising is the execution and -- of ads that you would find in magazines or on a billboard. Promotion generally refers to an incentive or a program designed to interest adult smokers in trying that brand.

Q. Is that also used to try to keep current users using a particular brand?

MR. BEACH: Objection to the form of the question on the grounds that it's ambiguous.

A. It can be -- A promotion can be used to retain adult smokers within -- or to prevent them from switching

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to other cigarette brands or trying them.

Q. Okay. Could you describe the activities that you did on the Salem cigarette with respect to the packaging change that you identified?

A. We had a project that was designed to update the Salem pack, and so we employed package designers, and screened designs among adult smokers, and picked a final design, and executed it and launched it nationally.

Q. Why did you conduct all that activity simply with respect to the cigarette package for Salem?

A. The packaging is part of the entire marketing. It's part of the entire brand. So I'm not sure I understand what you mean by why did you do that -- all that on the packaging.

Q. Well, I mean you're saying the package design is part of marketing?

A. Uh-huh.

Q. Okay. Could you explain the interaction of packaging design within cigarette marketing? And now I'm asking just a broader question.

A. The pack is what adult smokers purchase, it's also what adult smokers carry around, so it's an integral part of the brand.

Q. So what adult smokers purchase and what they carry around. Does it function, so to speak, then as a

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little billboard for that product brand?

A. The package obviously is to speak -- I think I can see where you're going. The package communicates what brand it is. It communicates what style it is. It also carries a Surgeon General's warning. And it also has graphics on it that can communicate what the brand is attempting to stand for in the minds of adult smokers.

Q. Is it fair then, to use the word that you used, packaging is an integral part of the marketing of cigarettes in America?

A. Yes.

Q. What other integral activities are there with respect to the marketing of cigarettes in America?

A. Product, the cigarette itself, how it tastes, the configuration of the cigarette, what styles it comes in, what packaging configurations it comes in. The advertising is obviously an integral part. The promotions can be an integral part. The sponsorships can be an integral part. And in the case of cigarettes, Surgeon General's warnings are an integral part of every piece of marketing that's done.

Q. What does the word style mean with respect to cigarette marketing?

A. It means the length of the cigarette. It can mean the tar level of the cigarette. It can mean the

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packaging type, be it box or soft pack.

Q. Can it also refer to whether there's a filter on the cigarette?

A. That's true.

Q. I'll note that in the -- previously the last few days we've had a deposition of Frances Creighton, and during that deposition some cigarette packages were introduced, and I would like to use some of those in today's deposition. And specifically I request the court reporter to provide the package for one of the Salem cigarettes that was used there.

MR. CASSIDY: Counsel, would you like these to be marked as new exhibits in this deposition, or can we keep them solely as exhibits from Ms. Creighton's deposition?

MR. BEACH: Let me make a proposal, why don't we have the witness identify which ones he's been handed, and then perhaps the court reporter can make a photocopy of the packs for the purposes of inclusion in the record here.

MR. CASSIDY: Okay. Thank you.

Q. Mr. Leary, could you please identify the two cigarette packages that you have been provided?

A. I have Salem 100s soft pack, and I have Salem Light 100s soft pack.

Q. And could --

MR. BEACH: Excuse me. What are the exhibit

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numbers?

A. I'm sorry. Salem 100s soft pack is Exhibit #16. Salem Light 100s soft pack is Exhibit #12.

MR. BEACH: Sorry. Go ahead.

Q. In looking at those two exhibits that are in front of you and thinking back as to the activities that you were doing with respect to Salem cigarettes from 1986 to '87, are the packaging that -- ideas that were incremented with respect to Salem cigarettes in 1986 and 1987 reflected or -- I'm sorry. More precisely, you stated that a new package for Salem cigarettes was introduced during the time period that you were working on Salem, correct?

A. That's correct.

Q. Is that package the same package that is in front of you today?

A. Some of the elements are the same, but the packaging undergoes changes -- it can undergo changes fairly frequently, but this does have some of the same elements. I can't tell you whether it's the same package or not.

Q. Does it appear to be the same package?

A. Some of the elements, some of the core elements appear to be the same.

Q. Well, what are the core elements that are the

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same today?

A. Now, let me also say I don't know that this is the pack that is sold today. I mean, some of these changes, unless you're intimately familiar with it, and I'm not with Salem, I can only speak -- I don't know what time period these were found, but I can --

Q. I'll interject this then, do the changes in packaging occur, for example, within -- multiple times within a year?

A. They can.

Q. Well, I'll represent to you that I purchased those cigarettes within the last week.

A. Okay. Good enough. I'm sorry. We got off track. What did you want me to --

Q. Yeah. I guess we were looking at the core elements of the packaging.

A. The logo, the pneumonic up top, the sail, the stripes are what I recall, and the coloration.

Q. Logo referred to the word Salem itself?

A. Well, yes. Well, the whole area in the --

Q. Okay. And I believe you said the monic up top.

A. Pneumonic.

Q. Pneumonic. Can you specifically identify what that is?

A. The sail, it looks like a boat.

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Q. Is that, so to speak, the symbol of the cigarette? At least that's reflective on that particular package.

A. It's an element in the logo. Whether it's the symbol for the cigarette, I don't know.

Q. Well, to use an example, is the Camel the pneumonic for Camel cigarettes?

A. I'm not -- Are you referring to when I was on the brand?

Q. Well, I'm just -- I am referring actually to the cigarette that's sold today, the Camel that you see on the front of the Camel cigarette package.

A. I think a part of the marketing makes an -- in that instance the Camel can be used to symbolize the brand.

Q. Okay. Now, you also mentioned colors. How is the colors of those two cigarette packages relevant for the marketing of Salem cigarettes?

A. Well, the color, as with every element of the pack, is designed to help adult smokers identify the brand on a display. They're both green, which I think -- I don't know, I wasn't involved when menthol cigarettes were introduced, but it seems to be something that is often with them.

Q. Well, at least in the 1990s is it fair to say that the color green is associated with menthol cigarettes

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as applied in cigarette packaging?

A. It would appear that way.

Q. Can you think of any menthol cigarettes that are sold in America today that don't have, at least in part, the color green in their cigarette package?

MR. BEACH: Objection to the form of question on the grounds of lack of foundation. You haven't established that Mr. Leary has knowledge about all forms of cigarettes marketed in the United States at this time.

MR. CASSIDY: Well, I'm just asking if he is aware of any. I'm not asking for him to testify as an expert on menthol cigarettes.

A. I don't know of other -- I really can't answer whether there are menthol cigarettes sold that aren't green. I know there have been menthol cigarettes tested that aren't green.

Q. But do you have any knowledge of any that aren't sold with the color green incorporated into the package?

A. I don't know one way or the other whether they're out there or not. I'm just not that familiar with the menthol market.

Q. Okay. So aside from promotion of Salem and the packaging change, were there any other duties and responsibilities that you had with respect to Salem during the time period of 19 -- of June of '86 to December of '87?

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A. Well, I think I was -- I was, as I recall, and again I'd have to go back and look, but I think I was involved in budgeting on that brand as well. I recall being involved simply as an observer of advertising development.

Q. And would that include going to focus group sessions?

A. Yes.

Q. With respect to the promotional activities that you were engaged in, can you give me any illustrative examples of some of those promotions?

A. I think we may have done a lighter that was shaped like the pack as a way to introduce the new pack. I believe we did something like that, but again, I can't recall what our promotions were back then.

Q. Okay. Let's now jump to the period of January 1988 to July 1990. Exhibit #2 identifies your job position at that time as manager for new brands; is that correct?

A. Yes.

Q. What are new brands?

A. New brands are brands that have not formally been on the market.

Q. What's not being formally on the market?

A. It has not been for sale. And we're dealing with the United States here, so that brand of cigarettes had not

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been for sale in this country until it was introduced for sale, which made it a new brand.

Q. But could you have a new brand that's being sold, for example, in limited markets within America?

A. Well, yeah, I mean a new brand, when it's new to that area, it's a new brand in that area. So I mean, it's just what it says, it's a new brand.

Q. Okay. Well, how is a cigarette brand brought on to the market then? If you could at least -- If you could explain a little bit of that process.

A. How it's brought on to the market meaning from conception through it's for sale, or how do you physically get one on the market, or --

Q. Why don't -- Why don't we take the broader view, from conception through sale. If you can just give me the major steps in the process.

A. Well, in general there are -- my recollection of when I was on new brands, you start with an idea, and you go out and you test that idea among adult smokers. Various components of the marketing mix are developed simultaneously in order to illustrate that idea to adult smokers. That involves the packaging. That involves the product. That involves the advertising. That involves the name. That involves the product configuration. Every component is developed and tested among adult smokers for

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their interest level. And if that testing is successful, in the case of when I was on new brands, it would go to test market to see if the adult smokers in the various markets were interested in buying it.

Q. And then I assume from the results of that test market you would decide whether to expand that cigarette brand or discontinue?

A. That's right.

Q. How many people were within the new brands department at that period of time that you were supervising?

A. I think it was two.

Q. Now, when you were manager of new brands, was there someone above you within the new brands department, or were you the top person of that department at that time?

A. Well, the department was two people, so that was it, but I had a boss.

Q. Sure. What were some of the new brands that you worked on developing during that time period?

A. I did a brand called -- launched a brand called Chelsea, and Horizon, both of which were cigarettes that had a pleasant aroma.

Q. Well, do you have cigarettes that are sold that have unpleasant aromas?

A. In the opinion -- Well, do they have an

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unpleasant aroma? It's obviously a subjective aroma, do they have unpleasant aromas. There was interest among smokers for these cigarettes that had a different aroma, and some would describe it as pleasant, more pleasant.

Q. How did these cigarettes achieve, if they did, this pleasant aroma?

A. I can't answer exactly how it happened, but there was a material that was used on the paper that emitted a vanilla smell.

Q. So is the flavoring of vanilla --

A. The aroma.

Q. -- the flavoring of the --

A. The aroma of the flavoring.

Q. Chemicals were applied to the cigarette paper to achieve the aroma of vanilla when the cigarette was burned?

A. Uh-huh. Uh-huh.

MR. BEACH: You need to answer yes.

A. I'm sorry. Yes.

Q. Is that the exclusive list of the new brands that you worked on developing during that time period?

A. There were probably more concepts that I did not pursue. Those are the two that I devoted the large majority of my time to, as evidenced by the fact that we actually launched them.

Q. Okay. Well, what were some of the new brands

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that you worked on developing that ultimately were not launched?

A. I do not -- I do not recall. I mean, in terms of how much time was devoted in order to launch two, and I was in that area a-year-and-a-half, that takes every -- every -- That absorbed a great deal of time, so nothing else was considered seriously, which is why I don't recall what else we were looking at.

Q. You don't have any recall of any other brands that you were, so to speak, looking at during that time period?

A. No brands for sure. There may have been some conceptual areas that were not pursued.

Q. Can you give me a description of any of those conceptual areas that were not pursued?

A. I really can't.

Q. Okay. And when you say launched, does that mean that you were just test marketing them in particular areas, or did you actually go national with these brands?

A. These were only in test market.

Q. Okay. Are you okay in terms of continuing on until a little longer, or would you like to take a break?

A. I'd like to take a break.

MR. CASSIDY: Okay. Why don't we take a break then.

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VIDEOGRAPHER: We're going off the record at 10:11 a.m.

(There was a break taken.)

VIDEOGRAPHER: We're back on the record at 10:24 a.m.

Q. Mr. Leary, do you understand that you're still under oath?

A. Yes.

Q. And that would be the case throughout the next two days of deposition. Did the Chelsea and Horizon cigarettes have any other distinctive characteristics aside from the pleasant odor -- or pleasant aroma that you mentioned?

A. No. Well, excuse me. Distinct from other cigarettes?

Q. Uh-huh.

A. No.

Q. Okay. Was there any anything with respect to the marketing of those cigarettes aside from those two product characteristics that were distinct about those cigarettes? And now not necessarily comparing this to any other cigarette sold in America.

A. Every marketing campaign and every brand is distinct, so.

Q. Well, can you describe some of the

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characteristics for the marketing campaign for Chelsea cigarettes?

A. It had -- It had a distinctive pack. It had a distinctive name. It had a distinctive advertising campaign. I mean, every -- every component was unique in the marketplace.

Q. And those were all deliberate decisions taken by R.J.R. Reynolds to achieve a distinctive pack, a name, and advertising campaign?

A. Yes.

Q. And would the same be true with respect to Horizon cigarettes, specifically did it have a distinctive pack, name, and advertising campaign?

A. Yes.

Q. Let's just review a few basic terms in marketing that will probably come up today and tomorrow. Have you ever heard of the terms -- Well, I'll preface this, make it more specific. Have you ever heard the of term segmenting as used in marketing theory?

A. Yes. Yes.

Q. Have you ever heard the term targeting as used in marketing theory?

A. Yes.

Q. Have you ever heard the term positioning as used in marketing theory?

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A. Yes.

Q. Do you have an understanding as to the meanings of those terms?

A. I have an opinion on what they mean.

Q. Could please give me your opinion on the meaning of segmenting?

A. Well, in my opinion, a segment of the market is simply a portion of the market. You can -- You can divide up the market, proportion it, or segment it any number of -- any number of ways. It's a way to categorize portions of the market.

Q. Can you give me examples of how markets are segmented? And you can relate this specifically to the cigarette industry.

A. You have full price cigarettes. You have savings cigarettes. You have 100 millimeter cigarettes. You have 85 millimeter cigarettes. You have menthol cigarettes. You have nonmenthol cigarettes.

Q. Is the cigarette market segmented by use patterns, for example, brand users, switchers?

A. There are ways to segment the market based on your business. Speaking specifically to Winston, there are Winston smokers, there are nonWinston smokers. There are adult smokers who smoke Winston occasionally, and there are adult smokers who never smoke Winston.

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Q. Okay. How about on the basis of demographics, are markets sometimes segmented that way within the cigarette industry?

A. You can divide the market based on the age of the adult smoker, or age group.

Q. What about other demographic subdivisions, such as gender and race?

A. You can divide the market based on the adult smoker's sex.

Q. Can a market also be divided based upon race?

A. Any -- The market can be divided on any factor that -- Yes, you could divide the market based on that adult smoker criteria or --

Q. It therefore would be possible to have a cigarette that was designed for the African-American segment of the smoking population?

A. Again, I think you can divide the adult smoker market on any number of characteristics, as we've noted, so therefore it's -- I mean, it's possible to develop it for any particular segment. You can develop it for 100 millimeter. You can develop a full price market. You can develop it against the adult smokers in the savings segment, and on down the line.

Q. But here I'm referencing just specifically to segmenting on a demographic basis and within that linking

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it to race.

A. It's my general opinion that in the cigarette industry, or as in any marketing industry, you can divide the market on any number of characteristics as to is it something that is -- how you would go about it or is it effective to do it, I have not been involved in any cigarette marketing based on race, so I'm at kind of a loss there as to whether that's something that you could do.

Q. Were you involved with the, I believe it would be referred to as a new brand, the Uptown cigarette?

A. No.

Q. Would that be an example of segmenting on a demographic basis specifically by race?

A. I'm not familiar with how Uptown was developed, so I don't really have an opinion on how they went about that.

Q. Is there geographic segmenting that occurs within the cigarette market?

A. You -- In evaluating the business among adult smokers, generally you will find that business performance varies by geography, so it is possible in the management of your business to assess where you have more business, where you have less business.

Q. Well, can you give me an example with respect to R.J.R. Reynolds cigarettes that you're aware of that have

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business performance varying from one geographical region to another geographical region?

A. Speaking in the case of Winston, there are areas that there are more adult smokers who choose Winston in the southeast and in parts of the upper midwest than in some other areas, as an example.

Q. And then might you tailor specific marketing activities then for the southeast or the upper midwest?

A. One could.

Q. Or conversely for an area that it was not doing particularly well or specifically well in such as the northeast?

A. Yes.

Q. Okay. Have you ever engaged in geographic marketing activities with respect to the Winston cigarettes for the northeast portion of the country?

A. I've had discussions about business performance in various parts of the northeast.

Q. Out of those discussions were any marketing activities implemented with respect to the northeast?

A. To date, to my knowledge, no.

Q. Okay. Have you had similar discussions with respect to performance in the Pacific states?

A. The where?

Q. Pacific states.

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A. Yes, I've had discussions about performance practically all over the country, to include the Pacific states.

Q. But as a particular region?

A. I've had discussions about businesses up here, businesses down there almost across the country.

Q. Well, do you know on an annual sales basis how Winston does in -- on a state-by-state basis across America?

A. No, I do not.

Q. Well, how about specifically with California, do you ever measure how it's doing within California?

A. Within the State of California, no. Or --

Q. So you don't use political subdivisions then?

MR. BEACH: Excuse me. Did you finish your answer to his last question? You started to say the word or.

Q. Excuse me then if I interrupted your answer.

A. Well, we segment our -- the country based on sales regions, and those are developed based on the most effective use of the sales force, and that's really a sales responsibility, and I'm not involved in how they draw the regional lines.

Q. Are you knowledgeable as to the regional lines that have been drawn?

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A. Not -- No. I know the general area, but I could not tell you. Some of them are --

Q. What area does California fall in, if you know that?

A. Well, it falls in the western sales area, and other than that, I'm not sure where the regional boundaries are. Some of the regions actually cover multiple states if I'm not mistaken.

Q. Sure. And the same question with respect to Massachusetts, are you aware of what sales region that falls within?

A. It's in the northeast sales region, within the northeast sales area.

Q. Okay.

A. I make that distinction, and there are regions within that sales area. Where -- What the boundaries of the region or what is included in the Massachusetts region, I do not know specifically.

Q. Okay. Have you ever heard the term psychographic or lifestyle segmenting?

A. I've heard the term psychographic and I've heard the term lifestyles.

Q. Okay. Are they -- Do they have similar meanings?

A. In my opinion I think they are distinct. Or maybe not distinct, but they mean different things in some

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regards.

Q. Okay. What is your understanding of the meaning of psychographic as applied in marketing theory?

A. Psychographic to me means you're -- in the case of what I do for a living as it relates to adult smokers, it's their attitudes about various topics, their mindsets.

Q. And what's your understanding of lifestyle segmenting?

A. What adult smokers enjoy doing and types of activities they're involved in.

Q. Would you include their opinions on different topics within either psychographic or lifestyle segmenting?

A. I don't know.

Q. Okay. Well, I think -- Is there any other type of segmenting that you can think of aside from lifestyle, psychographic, geographic, demographic, use patterns, and product characteristics?

A. I'm not sure that I -- Could you repeat those one at a time so I could get a grip on what exactly --

Q. Sure. Okay. I'll go from reverse order. Product characteristics.

A. Uh-huh, such as 100. Okay.

Q. Yeah. And would it be correct to refer to, you know, 100s versus 85 millimeter cigarettes as a product characteristic?

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A. Uh-huh. Yes.

Q. Okay. Use patterns, demographic.

A. Explain to me again what you mean by use pattern.

Q. Well, I thought you gave me the example of Winston smokers versus nonWinston smokers, you know, brand loyalties concepts versus switchers.

A. I'm not familiar really with the term a use pattern, but you could segment the market based on the type of adult smokers that choose your brand and those that choose it frequently, the types of adult smokers that choose it infrequently. I'm not just that comfortable with -- or familiar with the term use pattern.

Q. Okay. Well, and then demographic segmenting?

A. Yes.

Q. A geographic segmenting?

A. Yes.

Q. A psychographic segmenting?

A. I'm familiar with the term psychographic and lifestyle, but I'm not particularly familiar with actively segmenting the market based on those. The ones we went through at first in terms of what does the adult smoker smoke in terms of product configuration, flavor category seem to me to be the more -- ones that I'm more familiar with than segmenting by psychographic or lifestyle.

Q. Okay. And I guess this might be the first one

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you mentioned, but I didn't put this as a separate category, correct me if you would -- it should be, just the price of the product?

A. Right, full price and savings I think is what I mentioned.

Q. Okay. Well, in terms of flavor category, that would be menthol versus nonmenthol?

A. Well, you could use that as a way to segment the market, you could also use full flavor, low tar, ultra low tar.

Q. Where would Eclipse cigarette fall within the category of flavor segment, or would it?

A. I'm not sure what styles Eclipse comes in now. I believe it was offered in a mild and a full flavored variety. I believe they have a menthol. But I'm not the person to ask about Eclipse. I'm just not that familiar with it.

Q. What is the Eclipse cigarette?

A. It's a product that the company has developed and has been in the test market for some time.

Q. Well, does it have any distinctive characteristics?

A. The information that I would -- that I would be able to provide you on Eclipse is what my own personal opinion is of what I have seen. I've not been at all

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involved in Eclipse, so I might run the risk of mischaracterizing what it actually is, but it is a different type of cigarette that I believe primarily heats rather than burns tobacco.

Q. And by primarily heating rather than burning tobacco, does that distinguish the cigarette from other cigarettes sold on the market?

A. In some regards it does in that it doesn't burn down.

Q. Well, what happens with respect to the cigarette smoke that's generated by an Eclipse cigarette by primarily heating rather than burning?

MR. BEACH: Objection to the form of the question on the grounds that it's ambiguous. If you think you understand it, you can go ahead and answer it.

A. Well, I think what I was going to say is when you start talking about what does it actually do, I'm really not equipped to describe with any certainty what it does.

Q. Well, I realize you're not here as the person in charge of marketing for Eclipse cigarettes, but you do have an understanding, don't you, as to some of the characteristics of the cigarette aside from the fact that it primarily heats rather than burns when smoked?

MR. BEACH: Is that a question?

MR. CASSIDY: Yeah.

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Q. Okay. Do you have an understanding of the characteristics of the Eclipse cigarette, aside from when it's smoked it's primarily heated rather than burned as a general proposition? I'm not asking your specific, you know, product knowledge.

A. I don't have a good understanding of what Eclipse does. I think one of the things that they say is that it emits less secondhand smoke, but that's just based on casual observations of it. But I do not have an understanding of what it does. That's just --

Q. What is secondhand smoke?

A. That's -- I believe that's the term used to characterize the smoke off the lit end of a cigarette.

Q. And is there a name for the term of the smoke that comes through the filter of the cigarette?

A. I'm not sure.

Q. Have you ever heard the term mainstream smoke?

A. Yes, I have.

Q. What is your understanding of the meaning of the term mainstream smoke?

A. I assume that means the smoke that comes through the filter end.

Q. Okay. Now, aside from primarily heating rather than burning the tobacco and the possibility of it emitting less secondhand smoke, are there any other characteristics

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that you're knowledgeable of with respect to the Eclipse cigarette?

A. No.

Q. Okay. Well, when I started this discussion, we were talking about segmenting, targeting, and positioning. What is targeting?

A. Targeting is developing a product and a marketing campaign to meet the desires of a particular adult smoker segment.

Q. Would it be fair to characterize targeting then as directing your marketing activities at a particular segment of the market?

A. I think that it's developing the marketing programs, the product, the entire marketing effort in an effort to interest a particular segment of the adult smoker market.

Q. And then moving on to positioning, can you provide a definition of that?

A. Positioning is the idea that the adult smoker has a particular brand.

Q. I have seen a definition of positioning as designing and representing a product to occupy a distinct and valued place in a consumer's mind. Would you agree or disagree with that definition?

A. Could you read it one more time?

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Q. Sure. Designing and representing a product to occupy a distinct and valued place in the consumer's mind.

A. I agree with portions of that. It is possible to have a positioning that does not represent a valued place in the adult smoker's mind, and you can have positionings that are effective and positionings that aren't effective.

Q. Okay. Well, leaving aside the issue of whether something would be effective or not, wouldn't you want to have a positioning that was effective?

A. Well, I was referring to the word valued. And in the case of cigarettes and among adult smokers, most, if not all, cigarette brands, an adult smokers has an idea of what that brand stands for. It can either be valued or unvalued, depending on that adult smoker's perception of what that brand stands for.

Q. How about if I change the definition slightly then and tell me if you would agree with it now. Positioning is designing and representing a product to occupy a distinct place in the consumer's mind?

A. I would agree.

Q. Okay. What types of positioning strategies are commonly used in the cigarette industry, or at least with R.J.R. Reynolds?

A. That's a big question, what types of positionings are out there. I'm not even sure how to -- how to approach

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that question. Positioning is the entire idea that the adult smoker has about a brand, and it's tough to characterize how many.

Q. Well, can you give me categories or subsets of positioning strategies that you're aware of?

A. That's hard to do.

Q. Okay. Well, maybe I'll give you some categories that I'm aware of, and you can tell me whether R.J.R. Reynolds has ever done any of these activities. The first one would be benefit positioning, which I define as the focus is on a primary consumer benefit, for example, "fly the friendly skies." Has R.J.R. Reynolds ever engaged in benefit positioning?

MR. BEACH: Well, excuse me, Ned, for a second. Are you asking him -- These questions I would assume are still confined to the scope of the various tasks that he has identified on his resume that's been marked in this deposition as Exhibit #2. Is that the scope of this question, or is the scope of this question broader?

MR. CASSIDY: I thought it was clear we were trying to come up with key terminology used in marketing and Mr. Leary's understanding of those terms that we were going to apply today and tomorrow. I'm sorry if that's not been clear.

Q. We're talking on a general basis here as you're

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an individual within the tobacco industry, and specifically as a marketing executive for R.J.R. Reynolds.

A. I can talk to you about how I view positioning. The question that you raised, has Reynolds done things that have a benefit like "fly the friendly skies." There are all kinds of components that go into a positioning, and I can discuss what I think -- for instance, to make it most tangible, I can talk about the Winston positioning and how it operates, and perhaps part of that --

Q. Okay. Why don't you talk about that then.

A. Okay. Well, what we were trying do in the case of Winston is build a positioning that would interest adult smokers in Winston. Part of that positioning included an image or an attitude around the concept of No Bull. Part of that positioning was represented by a product point of difference that was 100 percent tobacco for true tobacco taste. And those two things work in tandem to form the No Bull positioning.

Q. Okay. What is repositioning?

A. Repositioning generally refers to a brand or, a cigarette brand in this instance, that at one time held a positioning and over time has lost that positioning and is in need of another positioning, hence a repositioning.

Q. And is the new Winston cigarettes campaign an example of repositioning?

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A. I believe so.

Q. I mean, is the focus then on changing consumer perceptions of the product when a cigarette -- when you engaged in the repositioning of Winston cigarettes?

A. It's an effort to change adult smokers perceptions of the total brand from product to packaging to advertising to everything, to include everything.

Q. Now, leaving aside Winston for a second here, can there be example -- Can you have personality positioning, and I define that as your associating a personality with a particular product?

MR. BEACH: Objection to the form of the question in that it's ambiguous. Perhaps you can give the witness an example.

Q. Well, we can talk about examples, but I'm just talking about the concept itself. Do you understand the concept of personality positioning?

A. Certain components of a positioning can entail traits that sometimes are attributed to personalities.

Q. Are there any elements of personality positioning that are occurring with the new Winston cigarette campaign?

A. The No Bull attitude of Winston might or might not be looked at as a type of -- of a personality trait. It is designed to attach an attitude to the brand, and that attitude is No Bull.

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Q. What is No Bull?

A. No Bull is an attitude that represents a true to one's self, what you see is what you get, reject artificiality attitude.

Q. When I was looking at personality positioning, I was thinking of it maybe slightly differently, and that was when associating a personality with a product, I was thinking of examples such as the Green Giant, the Pillsbury Dough Boy, and Joe Camel. Would those all be examples of also personality positioning?

A. I don't know. It's simply because I'm not familiar with the term it's a personality positioning. I will say that sometimes, for instance in the case of No Bull, you can look at attitudinal statements such as true to one's self, what you see is what you get, reject artificiality, and one could look at those and say those are similar to perhaps a personality trait, and they may well be. You're asking me if those three are examples of personality positionings. I don't know. I know those three are examples of campaigns that have a character --

Q. Okay. Maybe --

A. -- as part of that campaign. That is a fact. Whether or not it's personality positioning, I don't really know.

Q. Well, is there such a thing as character

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positioning then that you would place the examples of the Green Giant, the Pillsbury Dough Boy, and Joe Camel within?

A. There are examples of positionings as part of their advertising campaign employ the use of a character, but the term it's a character positioning I'm unfamiliar with. I can -- From my experience on Camel, part of that brand's positioning was an advertising campaign that used a caricature in it.

Q. And was the character part of the positioning of that brand?

A. In that the advertising campaign helps establish the positioning which is necessarily so, then I think it's part of the entire brand positioning.

Q. So the answer would be yes?

MR. BEACH: He just answered your question.

A. The character was part of the advertising campaign. The advertising campaign helps build the positioning as -- because it is a part of the communication to the adult smokers interested in Camel cigarettes, so it's all a part of the positioning.

Q. Okay. Thank you. Okay. Now, going back to your work on the new brands, was there any target market for the Chelsea cigarettes?

A. It was -- It was designed for smokers who were interested in a cigarette that had a more pleasant aroma

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than other cigarettes.

Q. So there was a segment of the smoking population that wanted a more pleasant aroma cigarette?

A. That was the concept of the cigarette, yeah. There were -- At the time, that was again late '80s, we found adult smoker interest in the idea of a cigarettes that had a less -- or more pleasant aroma.

Q. Well, was there also an attempt to target that cigarette at a demographic audience specifically broken down by gender?

A. The original Chelsea concept, we found the greatest appeal -- And let me back up. When I picked up that particular project, it was simply we have an idea that we can make a cigarette that smells better. From then on out it was talking to adult smokers to find out who is most interested in a cigarette that smells better. The first attempt to build that proposition, the adult smokers who were most interested were, in fact, female adult smokers. What we also found in the course of that test marketing was the idea of a cigarette that smells better, had much broader appeal, and as a result we launched Horizon, which was -- simply a broad-based no -- We did not find that females nor male adult smokers were attracted more than the other group. It was --

Q. Well, was the targeting with Horizon then, so to

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speak, gender neutral?

A. There was no gender skew in the appeal of Horizon.

Q. But with the Chelsea cigarette was the targeting that was ultimately used when the cigarette was launched directed more towards female adult smokers than male adult smokers?

A. Let me just be clear just because it's important to understand how it took place. We had the idea, or R and D had the idea, of we can make a cigarette that smells better. We took it out to smokers to find out who was most interested. As it turns out, female adult smokers were. Therefore, the ultimate campaign in the proposition was skewed more heavily towards female adult smokers than males.

Q. Through the testing process of the Chelsea cigarette, you ascertained that there was a particular segment of the smoking population that was specifically interested in that cigarette, and then upon that knowledge you then targeted your marketing activity at that group of the population?

A. Well, that's true. In the development of the concept we went out and talked to adult smokers and said we have a cigarette that smells better. They tried it in focus group settings. We learned in that that female adult

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smokers were more interested in it. That's how it was launched in it's first incarnation. The second time around and in the test marketing of it we learned there are more adult smokers out there interested in a cigarette that smells good, mainly male adult smokers seemed to become more interested as it was on the market. And we then relaunched it in a effort to gain business and interest of a broader spectrum of adult smokers.

Q. Well, why don't we move up to 1990 now and your responsibilities as a senior manager for Camel. Were you actually the senior manager -- a senior manager on Camel from August of 1990 to July of 1993, as identified in Exhibit #2?

A. Yes.

Q. Okay. What does -- What's the difference between a senior manager and a manager?

A. The senior manager title represents a greater responsibility, more confidence placed in you on the part of the company.

Q. And when you were with Camel during that period, were you the only senior manager on Camel, or were there other senior managers?

A. I believe there were other senior managers on the brand.

Q. Can you give me an idea of the number?

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A. I think there were probably two.

Q. And does the two count you?

A. Two others.

Q. Okay. And who were the other senior managers?

A. Charlie Davis -- And again I'm saying they were senior managers, I believe they were. Charlie Davis who was in charge of retail, and Diane Burrows was on the brand at that point too.

Q. And what was Diane's responsibilities as a senior manager?

A. She was more involved in future strategic direction, new projects that were a year or two out. My responsibilities were more running the day-to-day.

Q. And again, day-to-day marketing activities?

A. Day-to-day operation of the brand.

Q. Well, maybe I made a distinction there that I shouldn't have. What is day-to-day operation of the brand?

A. The best way to answer this question is to view the brand as if it were a business. There's a manufacturer of it, there's the R and D portion of it, there's the marketing research portion of it, there's the marketing execution, all components of the brand, and making sure that all those were running smoothly.

Q. So had you, again correct me if I'm wrong, you had oversight on the manufacture of the brand, the R and D,

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the market research, and the market execution?

A. Well, those are all parts of running a brand. I was not actively involved or did not have people reporting to me in every one of those areas. But for instance, you might get a call as part of a senior manager that we've got a problem on the production line, we may not be able to make Camels this week, and that kind of stuff we were involved in. But primarily -- primary reporting relationships are in the marketing area.

Q. And that is market research and market execution?

A. No. Well, market research actually reports up through its own level but works closely with the brands to make sure that we're in sync. And in addition, Charlie Davis, who headed up retail, that's more of a day-to-day thing as well, so he was in charge of retail and he reported to my boss.

Q. And who was your boss at the time?

A. Ed Blackmer.

Q. Was he the top person, so the speak, on the Camel brand during the time period of 1990 to 1998?

A. Yes.

Q. Do essentially you have the same position that Mr. Blackmer had with respect to Camel brand in terms of your position now with Winston cigarettes?

A. The only question I would have in that is I'm

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trying to think about the structure from Ed up, and I can't --

Q. But from Ed below?

A. Well, yes.

Q. Could you give me a little description of Charlie Davis' retail duties? What would those have involved?

A. Well, the retail area involves the display and advertising and promotion of the product, so it's basically everything that takes place at the store level.

Q. What is Camel cash?

A. Camel cash is a program designed to interest adult smokers -- Well, it's two things. One, it provides an incentive for adult Camel smokers to continue to choose Camel as their brand of choice, and it also provides an incentive for adult smokers of nonCamel brands to try Camel.

Q. Do you know when Camel cash was implemented?

A. I don't know the exact date. I think it was -- It may have been '91.

Q. But during your period as a senior manager for Camel?

A. (Nods head affirmatively)

Q. Did Mr. Davis have responsibilities over Camel cash?

A. No.

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Q. So that would be a type of promotional activity that was handled by a different department?

A. Well, let me rephrase that question. He would be responsible for making sure the retail execution of Camel cash was executed according to plan. So yes, he was involved in Camel cash. I'm sorry.

Q. Would an example of retail execution be making sure that all the gas stations in a particular region got copies of the brochure?

A. He was involved in distributions of the catalogs at retail.

Q. Okay. Now, can you give me some illustrative examples of some of the activities that Ms. Burrows did as future or strategic planning?

A. The most -- The main recollection I have of Diane's duties was she was in charge of Camel Special Lights.

Q. What were Camel Special Lights?

A. That was a line extension from Camel that offered Camels in a different product configuration.

Q. And by product configuration, can you give me a --

A. Had a white colored tipping.

Q. No other distinctive characteristics than the tipping?

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A. Well, it had a different pack. It had a different name. I mean, every launch is going to have its own pieces to it, so it was --

Q. Was she there the entire period that you were there as senior manager?

A. I can't recall to be honest with you. I can't recall.

Q. What about Mr. Davis?

A. I believe he was. I believe he was, but I really -- I'd really have to check. There were changes. I don't --

Q. Is Mr. Davis still with the company?

A. Yes.

Q. And Ms. Burrows?

A. No.

Q. When did, I presume, she retire?

A. I'm not sure.

Q. Okay. Can you give me examples of some of the more significant market executions that occurred with Camel during the time period that you were the senior manager?

A. Well, Camel cash was one. We had an advertising campaign focusing on a unique product configuration, namely the box products that was called the hard pack. We also launched Camel Ultra Lights.

Q. Were you involved with the launching of Camel

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Wides?

A. Yes.

Q. Were there any other types of product configurations that were launched during your period, aside from the box or hard pack, --

A. Yes --

Q. -- Camel Ultras, and Camel Wides?

A. I'm sorry. We did a Camel 100s I believe.

Q. And are these all considered line extensions?

A. The products are considered line extensions.

Q. What is a line extension?

A. It's an extension to your existing line of cigarettes that you offer for sale.

Q. But within the same, so the speak, family name?

A. Right. If it's a Camel line extension, then it will be Camel X.

MR. CASSIDY: Would you like to take a mini break before lunch, or just go straight to noon?

VIDEOGRAPHER: There's only three minutes left.

WITNESS: I'd like to run out to the --

MR. CASSIDY: Okay. Let's at least go for the run-out break.

VIDEOGRAPHER: We're going off the record at 11:12 a.m. This is the end of tape number one.

(There was a break taken.)

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VIDEOGRAPHER: We're back on the record at 11:15 a.m. This is the beginning of tape number two.

Q. Mr. Leary, have we covered the principal market executions that occurred with respect to Camel cigarettes in the period that you were the senior manager of Camel cigarettes in the early 1990s?

A. We've covered the things that I have a ready recollection of.

Q. And that were principal executions?

A. They are the things that I recall right now as being the most prominent things I worked on. I can't really say with certainly without going back and looking at every program I did and -- but they are certainly most of the big ones I think.

Q. Okay. Can you tell me what your responsibilities were with R.J.R. Reynolds from August of 1993 to November of 1994?

A. I was responsible for the overall marketing, strategy, and campaign development for Camel and Winston, particularly as it related to the positioning of the brands.

Q. So did you have responsibilities for two brands at that period in time?

A. Portions of two brands.

Q. And again, that portion was positioning efforts?

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A. The positioning, the market strategy, and particularly the advertising.

Q. How particularly the advertising? What does that mean?

A. I would say that was my primary day-to-day responsibility. I was not -- I was in charge of the marketing strategy and what we called equity development, which is the same thing, but in terms of executing that day-to-day, I was only responsible immediately for advertising. There were other people that were handling the other components of the marketing mix.

Q. So equity development and marketing are used as synonyms by R.J.R. Reynolds?

A. Well, by equity development, as it says on this page here, what that means is the marketing strategy positioning of the brand. One of the primary ways to demonstrate that positioning to adult smokers is through the advertising. So given that is one of the more immediate links to the positioning, that was one area I was responsible for day-to-day.

Q. And in terms of the day-to-day activities that you had with respect to the advertising, would that have involved communicating with the creative ad agencies that were responsible for the Camel and Winston brands?

A. Yes.

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Q. What creative ad agencies were responsible for the Camel brands during that period?

A. Mezzina/Brown.

Q. So there was only one agency?

A. Responsible for the advertising, that's correct.

Q. Is Mezzina/Brown still responsible for the advertising for Camel brand?

A. As far as I know.

Q. Do you have an understanding as to when they were brought on to the account?

A. It was sometime at the beginning of my tenure as senior manager on Camel.

Q. What is a creative ad agency?

A. An ad agency is a business that specializes in the development of advertising strategy and advertising execution.

Q. Do they create the content of the advertisement?

A. By content, what do you mean? The actual --

Q. The actual ad that you might see in a magazine or the actual display that you might see on a billboard.

A. Yes. Well, they create the creative and the art. They, chances are, do not produce the magazine or the billboard.

Q. Sure. Have you ever gone on a photo shoot for an ad for any R.J.R. Reynolds product?

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A. Yes.

Q. Can you give me a listing of those ads that you participated in in terms of the photo shoot?

A. I can't give you a listing of every one. I can tell you that I have been on Winston photo shoots.

Q. What campaign or campaigns involving Winston cigarettes were you on photo shoots for?

A. No Bull campaign.

Q. And could you give me a description of one of those photo shoots?

A. The one I -- The one I recall was here locally. We shot a couple executions for the current campaign. One ad in particular was -- the ad is a woman saying "Until I find a real man, I'll settle for a real smoke," and it was shot a couple blocks from here. I was also involved in a select photo shoot which was -- as a line extension of Winston where we shot a tobacco story about the aging of tobacco.

Q. Now, at the No Bull photo shoot, did that occur in 1998?

A. No, that might have occurred in 1997 or in 1996. I cannot recall. It would have be late '96 or early '97. I can't recall.

Q. But is that an ad that is currently running?

A. Yes.

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Q. So there can be a fair amount of time from when a photo shoot occurs to when an ad is actually --

A. It could be.

Q. -- executed?

A. And I said '96 and '97, we're in '98. I'm just trying to backtrack. It may have -- It may have been any time from late '96. You know, I can't remember when the shoot was, but, yes, I mean sometimes it takes a while for an ad to get to market, other times an ad is run over an extended period of time. That particular ad we have been running since we launched.

Q. In the photo shoot process do you have editorial control of that? Can you tell the -- For example, can you tell the photographer, no, I don't want that particular blouse on that particular model?

A. Yes.

Q. Okay. What was the creative ad agency for Winston during the time that you were the senior manager?

A. Coin Beam was an agency that was doing some work on Select, and as I recall, we were in a developmental phase with Winston and there were several agencies working on Winston.

Q. Who is the current ad agency for Winston?

A. Long, Haymes and Carr.

Q. What's the relationship between R.J.R. Reynolds

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and Long, Haymes and Carr?

A. They're our advertising agency for our Winston brand.

Q. Is that the exclusive duties that Long, Haymes and Carr have for R.J.R. Reynolds?

A. Well, as our advertising agency they are involved in almost every area of the marketing elements, so.

Q. But besides just Winston cigarettes, are they involved with R.J.R. Reynolds?

A. Not on a regular basis.

Q. Is there a particular person at Long, Haymes, and Carr that is in charge of the creative contents of the current No Bull campaign?

A. The person that is in charge of the account area that is in -- that handles advertising I believe is mentioned in one of these documents as Tim Clark.

Q. Okay. But isn't there a distinction between the account executive and the --

A. There is.

Q. -- creative person?

A. There is.

Q. Who is the creative person at Long, Haymes and Carr on new Winstons?

A. Bill Puckett.

Q. What does a creative person do within an ad

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agency?

A. They manage the creative process, including the people that do the creative and the creative product.

Q. Okay. Let's go up to December of '94 to January of '97. What were your responsibilities with R.J.R. Reynolds during that time period?

A. I was responsible for the Winston brand with, I guess you could say, a primary focus on the marketing activities.

Q. Well, how are those responsibilities different than your responsibilities as senior manager for equity development?

A. I was responsible for all the areas and the execution of the areas as opposed to just one.

Q. And that one just before was advertising?

A. Strategy, positioning, advertising, yes.

Q. Were you responsible for -- How did the No Bull campaign evolve?

A. We wanted to find an effective positioning for Winston among adult smokers, and so we set out to develop a strategy that would interest adult smokers in Winston. Once we had the strategy, we worked with advertising agencies to develop campaigns that would effectively communicate that strategy to adult smokers and the entire marketing campaign or marketing -- all the marketing

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elements. And we test marketed it in Florida in I guess '96 to '97, and adult smokers down there were buying Winston in increasing numbers, and we decided to launch it nationally in August of 1997.

Q. When you test marketed it in Florida, did you test market it with, say, one city and then go state wide, or did you just go state wide?

A. We actually test marketed it in the entire state, though Florida contains I believe a couple regions, so it was primarily in the southern portion of southern Florida, and with a different region that actually, as we discussed earlier, overlaps two or three states, and parts of that was involved as well.

Q. Okay. Well, were you, so to speak, the brains behind the No Bull campaign?

A. I was responsible for Winston when it was developed.

Q. Well, who came up with the idea of No Bull, if it was a particular person?

A. Well, oftentimes the way this works is there's a whole team of people that are all contributing to the idea development. I was in charge of Winston. I don't know that I would use the words I was the brains behind it. I was in charge of Winston and in charge of developing this idea when the idea was developed.

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Q. Well, within this team --

A. I was in charge of that team.

Q. Okay. Who was the person within that team that first articulated the idea of let's have a No Bull cigarette?

A. Well, there's a couple questions there. One is the strategy for a brand that is -- stands for true to one's self, what you see is what you get, reject artificiality that is supported by a product configuration that is 100 percent tobacco, no additives for true taste. That's one component. The other component is the words No Bull. I would have to say I was intimately involved in leading the process of the strategy development. The actual words was the fruition of many agencies contributing many different ideas, and I really can't pinpoint who first said the words No Bull. The concept and the strategy were there before the words.

Q. Well, this might be a chicken and the egg situation, but what came first, the concept of a no additives cigarette or the strategy of a No Bull campaign?

A. The goal setting out on Winston was to develop a strategy that would differentiate Winston in the minds of competitive adult smokers, as well as current Winston smokers, and to do it with a unique strategy. The strategy was probably in place -- Well, I know the strategy was in

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place before the campaign was in place because the strategy drove the campaign.

Q. For us just to be precise here, you're using the words strategy and campaign, what specifically, with respect to the Winston cigarettes, are you referring to when you say the strategy and when you say the campaign?

A. The strategy is to have a positioning represented by the No Bull idea, whether it was called No Bull or when those words were coined I can't remember, but that was a strategy that said we're going to have a brand that stands for true to yourself, what you see is what you get, reject artificiality, all the attitudinal side. On the product point of difference side it is going to be supported by a cigarette made from 100 percent tobacco, no additives for true tobacco taste. That strategy was in place, and then we set off to develop advertising that effectively communicated that strategy to adult smokers.

Q. Were you working with the research and development department on a regular basis in terms of coming up with a no additive cigarette?

A. Yes.

Q. Had they previously proposed a no additive cigarette prior to the strategy of having a position that would reflect the attitude of No Bull?

A. The idea of a cigarette that did not have any

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additives may have been around, but a cigarette, to my knowledge, had not been produced that did not have any additives. One of the challenges with the Winston proposition was to develop a cigarette that Winston smokers liked and adult smokers of other competitive brands liked as well that was made from 100 percent tobacco, so.

Q. And when you refer to smokers of competitive brands, was there a particular competitive brand that was of interest?

A. Well, in this market, given that over 35 percent of the market is represented by one brand in Marlboro, I would say that that's the primary brand that you have the opportunity to grow your business from. But the -- We were interested in interesting adult smokers of all nonWinston brands.

Q. Okay. When you refer to in this market, what market were you referring to?

A. Cigarettes.

Q. Okay. Not necessarily full -- full-price versus savings?

A. Well, you could segment it and say that our biggest opportunity is among adult smokers of full priced brands, though it is possible for people or adult smokers of savings brands to come to the No Bull proposition as well.

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Q. But does Marlboro have a 35 percent market share of total cigarette sales?

A. Yes. That's a rough --

Q. So that means roughly one out of every three cigarettes sold in America is sold under the Marlboro family name?

A. Yes.

Q. Do you have any theories as to why Marlboro is such a successful cigarette?

A. I have my own personal theories that --

Q. Could you share those?

A. Yes. They developed a campaign that represented an attitude that was distinct from other cigarette brands and relevant to adult smokers of the '60s and '70s. They produced a product that was high quality, and they stuck with that image and that quality product consistently over the years and built it through that way. I believe at one point they were -- I think they were instrumental in launching the flip top box concept, but I can't recall when that was.

Q. Are your aware that at one time Marlboro was a cigarette that was targeted at a female smoker?

A. I've heard that. It's before my time though, but I have heard that.

Q. And how would you characterize the targeting of

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Marlboro cigarettes today?

A. Of Marlboro cigarettes?

Q. Uh-huh?

A. Given their size, they're marketed to every adult smoker in this country.

Q. Is it kind of like the McDonald's of cigarettes?

A. It's certainly a big brand.

Q. It's the biggest brand?

A. In the cigarette industry.

Q. Is it the biggest brand worldwide?

A. I don't know that.

Q. Have you ever heard of American Spirits?

A. Yes.

Q. What's your understanding of the characteristics of American cigarette cigarettes -- American Spirits cigarettes?

A. They are a small brand that is sold in limited outlets at a premium price, and I believe they're no additive.

Q. Do you know how long they've been on the market for?

A. I do not.

Q. Do you know if they were on the market prior to the introduction of the new Winston cigarette?

A. They were.

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Q. Did they serve as any inspiration for producing a major brand as a no additive cigarette?

A. No.

Q. Okay. So in Jan -- I'm sorry -- February of '97 I assume that this was a promotion. What position did you receive then?

A. Vice-president.

Q. Was that a promotion?

A. Yes.

Q. And what are your duties now as vice-president for Winston?

A. I'm in charge of Winston's business performance and all the elements effecting Winston. Again, with the same reporting structure that we talked about before, R and D, marketing research, media do not report through me. They are there in a support role and report up through their own organization.

Q. What's media?

A. Media is the group that's responsible for managing the buying and placement of our media.

Q. And what is media?

A. Print media is media that carries -- we use to carry print advertising. Outdoor media is media that we buy and place outdoor.

Q. Do you have ultimate control over their decisions

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with respect to Winston cigarettes?

A. Ultimately.

Q. Do their plans have to be brought to you for approval?

A. We work closely with the media department to make sure that our objectives and strategies are being executed in the correct fashion that meets our -- meets the brand's objectives and strategies.

Q. Well, do they come to you then with their plans?

A. They may not come to me directly. I have somebody that works -- But I'm aware of what goes on. Yeah, it -- the plans are approved up through my organization.

Q. Well, is there an annual plan that they come to you for your approval?

A. We do annual plans, and those plans are massaged throughout the year depending on the needs of the brands, but yes, we do annual plans.

Q. Is an annual plan ever adopted without coming to -- without being specifically approved by you?

A. No.

Q. Is a particular advertisement, whether on a billboard or in a magazine, ever executed without passing by your desk for approval on the new --

A. No.

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Q. -- on the Winston cigarettes?

A. No.

Q. If you saw a particular advertisement that you did not approve of, would it go no further in the execution process?

A. Are you referring to a concept like --

Q. No, I'm referring to actual --

A. An ad?

Q. -- an actual ad that comes to your desk.

A. As a recommendation?

Q. Yes.

A. And if I did not want to run it, it would go no further, is that the question?

Q. Yeah. Could you cancel that ad right then and there?

A. Yes.

Q. I have an understanding from Ms. Creighton's deposition of the significant persons that are on a, so to speak, flow chart directly underneath Ms. Beasley. Is Ms. Beasley your supervisor?

A. Uh-huh.

Q. Okay.

A. Yes.

Q. And then Ms. Creighton told me that there were approximately eleven people in her department. Does -- Do

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you essentially have the same responsibilities as Ms. Creighton with the exception, of course, that she handles the Camel brand and you handle the Winston brand?

A. Yes.

Q. Okay. Could you tell me the people that are within your department? First of all, how many people are there?

A. I'm going to have to count them. There are -- There are eight in my group.

Q. And does that include assistants? Are there any assistants for those eight people?

A. That's from top to bottom.

Q. Okay. Can I get their names and principal responsibilities?.

A. Mike Fagan, F-a-g-a-n, he's the senior marketing manager in charge of sports marketing for Winston. I may have miscounted. We'll get them when I give you all their names. He has two assistants, Cressida, C-r-e-s-s-i-d-a, Lozano, L-o-z-a-n-o, and she is an assistant market manager, works for him. He has one other named Louise Turner, and she is a marketing assistant, works for him.

Q. And does Ms. Lozano have particular marketing responsibilities?

A. She primarily concentrates on Winston Cup racing.

Q. Is that the NASCAR racing?

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A. The NASCAR Winston Cup racing. And Ms. Turner concentrates on NHRA Winston drag racing.

Q. Okay.

A. Mike Shaw, S-h-a-w, is responsible for -- he's the senior marketing manager responsible for retail. He has one assistant by the name of Winton, W-i-n-t-o-n, Jennette, J-e-n, I think it has two Ns, e-t-t-e, and he's an assistant manager.

Q. And his duties also overlap Mr. Shaw's in terms of retailing?

A. Well, he -- he reports to Mr. Shaw.

Q. Okay. Joe Michalek, and I think that's M-i-c-h-a-l-e-k, and he is a manager in charge of advertising and direct marketing. And he has an assistant by the name of Michael Lamphier, L-a-m-p-h-i-e-r I believe, and he's a manager as well.

Q. Now, advertising, is that print and outdoor?

A. Yes.

Q. And his assistant's duties?

A. He helps primarily -- Oh, I did leave out somebody. He helps primarily in the advertising arena. He has another assistant by the name of Veronica Walton, and she manages direct marketing. I think that's going to get us up -- No, I --

Q. That's okay.

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A. And then I have a secretary, Diana Martin.

Q. Does she have any substantive duties?

A. Her role is substantive, but she's an administrative assistant.

Q. And by substantive I meant in terms of the marketing of Winston cigarettes.

A. (Shakes head negatively)

Q. Okay. What is the 1998 budget for marketing for new -- or for Winston cigarettes?

MR. BEACH: I'll object to the question on the grounds that it calls for irrelevant information as well as information that's highly proprietary.

MR. CASSIDY: Okay. Well, you know, I'm not going to spend the deposition explaining relevancy to you. Because under California law and Massachusetts law the proper grounds for an objection at a deposition are to the form of the question and also, you know, of course, on the matter of privilege. So I'll just leave that aside. I realize this is highly confidential, and just designate this part of the deposition transcript as highly confidential.

Q. Can you please provide an answer?

MR. BEACH: I don't think that you need to respond to this question, Ned. It does not call for relevant information and it's highly proprietary.

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MR. CASSIDY: Okay. Counsel, I believe you're violating our stipulation not to make speaking objections. Unless you are going to instruct the witness not to answer, please allow me to ask the witness a question.

Q. What is the 1998 budget for marketing on Winston cigarettes?

A. In totality it's about $285 million.

Q. And can you break that down now into the different categories within that $285 million figure?

A. About $100 million of it is discounting.

Q. And what is discounting?

A. Reducing the price of the cigarettes at the store level to match competition.

Q. Can you give me an example of how or why that would occur?

A. It occurs when we go in and tell the retailer we're going to reduce the price or pay you a promotion allowance to reduce the price. And it occurs because it's a very competitive marketplace and there's price competition going on, and we're trying to remain competitive.

Q. For example, if Marlboro dropped their prices in one region, you would seek to match that so there would not be too much of a price differential between Winston and Marlboro?

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A. That's right.

Q. Okay. So that leaves us now with $185 million.

A. And I'd put probably $85 in advertising.

Q. And within advertising is it broken up between print and outdoor?

A. Yes, and I believe that's pretty close to 50/50.

Q. There is no other major forms of advertising besides from print and outdoor?

A. No.

Q. Okay. So I think that leaves us now with another $100 million.

A. I'd say $60 is in Winston Cup -- or Winston motor sports sponsorships.

Q. Okay.

A. What do we have left?

Q. I think we're at $40 million.

A. I put $30 in retail.

Q. Is that the point of sale items?

A. Uh-huh. Well, point of sale, advertising, yes.

Q. Display items?

A. (Nods head affirmatively)

Q. Okay. Now, I've lost the total number.

A. $10. Other.

Q. $10. Okay. What's other?

A. Miscellaneous, freight charges, things like that.

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Q. Okay. My memory, and I'm not going to say that this is precise, was that Ms. Creighton yesterday testi -- or two days ago testified that the annual, and actually this might have been 1997, the budget for Camel cigarettes was $375 million. Does that sound right or wrong in comparing -- dealing with your understanding of -- I'll stop and I'll ask a specific question. Is the advertise -- Is the marketing budget for Camel greater or smaller than for Winston?

A. According to what you said she said, it would be.

Q. Forget about what I said. What's your understanding?

A. I think they're similar.

Q. You think they're similar. Well, one category I do know that she mentioned was the fees to the ad agencies. Should that be included as a marketing expense?

A. And it is in my -- in my -- I mean, those are roundabout figures. Yes, we pay the advertising agency. Where did I characterize it -- or categorize it, I could have put it in advertising. I don't know.

Q. Okay. But you can't think of any other category that we haven't mentioned right now that would fit within Winston -- Winston's marketing budget?

A. Huh-uh. Wait a minute. Did I mention any direct marketing? There's probably a small part of direct

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marketing in there too.

Q. Okay. How much money under direct marketing?

A. I would say maybe $5 million. Make direct marketing $5 and other $5.

Q. Okay. What is the market share for Winston cigarettes currently?

MR. BEACH: Object to the form of the question on the grounds of relevance.

A. The -- Winston's market share is approximately 6 percent.

Q. And is that based upon a review of the half year in 1998 sales figures?

A. No, it's just based on my general -- it's a general estimate of our market share. I don't have the exact number.

Q. What was the market share in 1997, your general estimate?

A. Generally 5.75 maybe, and I could be off.

Q. Okay. Well, would you describe the new Winston marketing campaign as successful in terms of increased sales?

A. Yes.

Q. Okay. How much have sales increased since the product was introduced on a national basis approximately one year ago?

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A. I don't have a year-to-date or year-to-year. What I can tell you is that in the fourth quarter and in the third quarter -- Excuse me. In the fourth quarter and the first quarter of this year our volume was up between 5 and 10 percent, and our market share has been flat to up slightly since we launched.

Q. Is it regarded as a success by the company?

A. Yes.

Q. Have you done any research as to why, given what you have told me, consumers are purchasing a greater volume of Winston cigarettes?

A. Adult smokers are -- We're confirming among adult smokers what we learned in our early development and what we learned in our test market, and we're seeing it in national performance among adult smokers as well. And it is the entire mix of marketing elements that we put together into the No Bull strategy. We start with -- A piece of it is a new package that is of interest to adult smokers. The product, which is made from 100 percent tobacco, it's the only leading brand made from 100 percent tobacco for true tobacco taste is of interest to smokers -- adult smokers. The advertising and the No Bull attitude adult smokers find interesting and relevant to them.

Q. Well, do adult smokers believe your advertising and then go out and buy your product?

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A. Do adult smokers believe my advertising? Adult smokers see my advertising. They find the No Bull attitude interesting. They find the 100 percent tobacco cigarettes interesting. And they find the new pack interesting. And all those things are combining to interest adult smokers in what is a relatively new Winston.

Q. And that interest is resulting in greater sales?

A. That's right.

MR. CASSIDY: This is a logical time for me to take a topic -- or to switch topics. We can also break for lunch now if you would like to.

MR. BEACH: Fine. Before we go off the record I would just like to note that we'll go ahead and invoke the provisions of the confidentiality or the protective order that applies with respect to highly confidential information that's been disclosed during the first portion of this deposition, and presumably you're familiar with those requirements, as is the court reporter.

MR. CASSIDY: Okay. But you'll have to, subsequent to the deposition, identify the specific pages that you're invoking as confidential.

MR. BEACH: I understand the way the protective order works, and we will do that. I just want to make it clear that it will control this transcript from this point forward through the termination of the deposition.

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VIDEOGRAPHER: We're going off the record at 11:55 a.m.

(There was a break taken.)

VIDEOGRAPHER: We're back on the record at 1:02 p.m.

Q. Mr. Leary, do you understand that you're still under oath?

A. Yes.

Q. Okay. Is the market share for Winston larger than for Camel?

A. I believe slightly.

Q. Do you have an understanding as to what is the market share for Camel?

A. Not specifically, no.

Q. Can you give me a listing of the ranking by market share of the top ten cigarettes sold in America in 1997?

A. Not really, because if you're talking about cigarette styles, they're individual and I can tell you that the largest brand family is Marlboro.

Q. Okay. Well, let's stick to brand family.

A. Okay. I can give you a roundabout of the largest selling brands. In terms of their exact rank, that changes sometimes. But within the top -- gosh, top ten families within that, for sure Marlboro is biggest.

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Q. Number one Marlboro?

A. Right.

Q. Okay.

A. And you mentioned 1997. I don't know the annual, but I can give you a roundabout where we are today.

Q. Okay. I thought '97 would be fair, but if today is --

A. It's a twelve-month period, I'd have to actually look at that data. Doral.

Q. And that's -- Excuse me. Actually, I will be quiet and I'll let you continue the list.

A. Doral, Winston, Camel, GPC, Newport, perhaps Kool, perhaps Basic. How many have I given you?

Q. Eight.

A. And when I'm saying perhaps, I mean, I'm not sure whether they are. They strike me as being -- Merit, Virginia Slims.

Q. So the number six cigarette you gave me was Newport.

A. And it's probably bigger. Again, those were not in ranking order. Those are among the top ten. In fact --

Q. Do you have an accurate idea as to what the top five are?

A. Not exactly. I believe the -- I know the number one is Marlboro. I know number two is Doral. After that I

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could have them off by a position.

Q. Now, that -- those brands included both the full price and the savings brands, correct?

A. Marlboro is a full price brand, Doral is a savings brand.

Q. Okay. Do you have an idea of the top five full price brands?

A. They are probably on that list, Marlboro, Winston, Camel, Newport, and again, that's not in priority order, Kool, Merit.

Q. How about the top three?

A. You're trying to get me to tell you exactly what position they are in, because all I can tell you for sure is Marlboro is number one. Number two I believe -- I believe is Winston. I believe Newport is right in there, as is Camel. The honest answer, I don't know the exact ranking of the brands.

Q. Okay. So has the ranking between Camel and Winston fluctuated over time?

A. Winston, since I have been with the company, has always been bigger than Camel.

Q. And that's since 1984?

A. Uh-huh. Yes.

Q. Okay. Without revealing any specific statements by your counsel, what is your understanding of the lawsuit

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in which your deposition is being taken today? And actually it's lawsuits.

A. The notice for deposition I believe was to gain information about the marketing of cigarettes. There were -- are some -- I don't know what the correct legal term, complaints about targeting minors with marketing efforts. There are also I believe some questions about Winston's marketing.

Q. Are you aware that one of the additional claims brought by the plaintiffs is that the defendants, including R.J.R., have engaged in unfair and deceptive business practices, which include denying that there is a link between smoking and disease?

A. I may have -- I may have read that.

Q. Are you aware that the penalties that are sought against the defendants, including R.J.R. Reynolds, could amount to billions of dollars?

A. I am aware of that.

Q. Given your financial interest in the company as a senior executive and the fact that plaintiffs are seeking such large damages against R.J.R., will that affect your ability to testify truthfully today?

MR. BEACH: Objection to the form of the question in that's it's argumentative and improper.

MR. CASSIDY: I believe the question is proper.

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Q. Could you please answer?

A. No.

Q. Will you testify truthfully today even if an answer may reflect negatively on R.J.R. Reynolds?

MR. BEACH: Let me object to the form of this question on the grounds, again, that it's argumentative. You have asked this witness repeatedly if he's aware that he's testifying under oath, and he's answered those questions affirmatively. I object to your argumentative questions and your attempt to harass this witness.

MR. CASSIDY: Counsel, --

MR. BEACH: Subject to that objection, he can answer your question. Would you repeat the question for the witness, please?

MR. CASSIDY: No. Excuse me. Counsel, I am the person that's conducting the deposition. Do not instruct the court reporter to repeat questions that I have already phrased to the witness. Secondly, are you not aware that the parties have stipulated not to make speaking objections?

MR. BEACH: Counsel, why don't you just move ahead and take your next question. You can either repeat the question that you asked -- I'm not going to get into a debate with your about what has been stipulated or not stipulated.

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MR. CASSIDY: And then if it has been stipulated, I would request that you not engage in speaking objections. I will repeat my question.

Q. Will you testify truthfully today even if an answer might reflect negatively on your company?

A. I swore at the beginning of this deposition to tell the truth, and that means I'm going to tell the truth under any circumstances.

Q. Have you ever signed any type of confidentiality agreement with R.J.R. Reynolds?

A. I cannot recall when I was first employed. I think I did sign something to that effect, but I can't recall what it was.

Q. Well, would that -- whatever exactly that was that you signed, would that effect or limit in any way your ability to testify truthfully today?

A. As I mentioned, I swore to tell the truth, and I will tell the truth.

Q. What is your annual salary?

MR. BEACH: I think the question -- I object to the form of that question, that it's interposed for harassment purposes. It's irrelevant to any issue in this litigation. And I don't think that you should answer that question, that's your personal business. He's not entitled to that information.

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MR. CASSIDY: It's goes to the issue of potential bias.

Q. Could you please answer the question?

A. How much I make is not going to bias my answers. I'm going to tell the truth. I don't think what I make is anybody's business but my own.

Q. Are you refusing to answer the question?

MR. BEACH: I'll make it easy on the witness. Ned, I'm going to instruct you not to answer the question. It's interposed for purposes of harassment. It's irrelevant. You have already established that he has a financial interest in this company, and that satisfies your purposes. Why don't you move along and ask your next question, Mr. Cassidy.

Q. Do you not think whether someone receives a salary from a particular company might affect their testimony, either consciously or unconsciously?

A. It doesn't affect my ability or willingness to tell the truth under any circumstances. I'm employed and compensated based on my ability to effectively market Winston cigarettes to adult smokers. There has never been a conversation or any implication that how much I make bears at all on telling the truth in a legal proceeding.

Q. Do you receive a bonus plan with your annual salary?

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A. Yes.

Q. And how is that bonus plan calculated?

MR. BEACH: Again, Mr. Leary, I'll instruct you not to have to answer these kinds of questions. They are interposed for harassment purposes, they're irrelevant. You've established that he gets a bonus. We don't need to go further than that, Mr. Cassidy.

Q. Is your bonus plan linked to the market share of Winston cigarettes?

A. My bonus plan is, of course, linked to the performance of the company. Winston is a part of that company, therefore, Winston contributes to the performance of the company.

Q. Is it exclusively linked to the sale of Winston cigarettes?

A. It's based on the total company's performance.

Q. And what is the total company's performance? Is that market share, or is that net revenue?

A. It's a variety of things.

Q. Does it include market share?

A. It includes market performance as well as our profitability, both.

Q. How do you calculate -- How is the market share calculated?

A. By adding up all the cigarettes sold and dividing

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by how many of them were ours.

Q. And by adding up all the cigarettes sold, would that include sales of cigarettes to underage persons?

A. The market share, as is calculated by independent contractors, is based on retail sales. And they go in and count how many -- I think. You're into an area of research that others might be more adept at answering exactly how it's done, but they physically count the amount of the cigarettes in stores and see what percent of them are ours.

Q. What was your annual bonus for the year 1997?

MR. BEACH: Same issue. Ned, this issue is irrelevant. This question is interposed for harassment purposes. You don't need to answer this question.

MR. CASSIDY: The witness has not testified that underage sales are excluded from calculation of the bonus that's distributed by R.J.R. Reynolds, therefore, I believe it's an appropriate question.

MR. BEACH: Mr. Cassidy, don't argue. I don't care what your opinion is of your question.

MR. CASSIDY: Are you instructing the witness not to answer the question?

MR. BEACH: Yes, I am.

MR. CASSIDY: Fine.

Q. Do corporations have the responsibility to market safe products?

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MR. BEACH: Is that a legal question? Are you asking him for a legal question -- conclusion, Mr. Cassidy?

MR. CASSIDY: I'm not asking him for a legal opinion. I'm asking him for his lay understanding as to the beliefs and responsibilities of corporations.

A. Can you repeat it, please.

Q. Do corporations have the responsibility only to market safe products?

A. The term corporate responsibility, let me speak to what my company does and what I do. We market cigarettes to the 45 million adult smokers out there that choose to smoke a legal product. Since I have been with the company, over fourteen years, I have never done nor seen anything other than a responsible effort at marketing cigarettes to the 45 million adults that smoke. To your -- Well, that's my answer to that.

Q. Does R.J.R. have any official position on the health consequences of smoking?

A. It's my understanding that the company's position is that cigarette smoking is a risk factor associated with certain diseases, and that those risk factors are highlighted in warnings that appear on every pack, carton, print ad, outdoor billboard that we produce, and we suggest all adults take those warnings seriously.

Q. Is that position stated in a written document?

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A. I don't know.

Q. Have you ever seen a copy of that position in writing?

A. I have seen the company's position either quoted or -- I can't recall whether I have seen it in internal documents. I have certainly seen it.

Q. Does R.J.R. Nabisco have any official position on the health consequences of smoking that affects your operations as an R.J.R. Tobacco employee?

MR. BEACH: Objection. Could you repeat the question, please?

MR. CASSIDY: I will be happy to repeat the question.

Q. Does R.J.R. Nabisco have any official position on health consequences of smoking that affects your operations as an R.J.R. Tobacco employee?

MR. BEACH: Okay. Objection to the form of the question on the grounds of lack of foundation.

Q. Well, okay. Does R.J.R. Nabisco have any official position on the health consequences of smoking?

A. I don't know the corporate position. I know my company's position.

Q. That's fine. If you're unaware of the answer, that's fine. What information, if any, are new R.J.R. employees given when they join the company with respect to

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smoking and health issues?

MR. BEACH: Objection to the form of the question on the grounds of lack of foundation.

Q. Are new employees of R.J.R. Reynolds given any information with respect to smoking and health issues when they join the company?

MR. BEACH: Same objection.

MR. CASSIDY: I think I have -- I think I'm asking whether there is a foundation.

Q. Could you please answer.

A. I don't know the training of -- Well, I don't know the company's procedures when it comes to every employee that comes in. I can speak to the marketing side of the equation, which I have input in hiring and those people. And our position is what was related to me when I started in 1984, and it's what I have seen executed consistently, and that is we're in the business of marketing cigarettes to adult smokers, and we do that within the rules and regulations that are agreed to with Congress, as well as our internal operating procedures, and they fully understand it and fully understand that there is no room for --

Q. Is that information provided to new employees within the marketing department in writing or orally?

MR. BEACH: Same objection to the question.

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A. I suspect that it's both.

Q. Are you aware of any written document that states R.J.R.'s position that's given to personnel within the marketing department?

A. I am aware of a document that was circulated, I think it was a few months ago, where the -- our position was documented and reinforced again to clarify our position on marketing of cigarettes.

Q. So that was a document circulated in 1998?

A. I think it was '98 or '97, but it was basically a reiteration of our company's policy. And --

Q. Was there a title to the document?

MR. BEACH: Excuse me. Did you finish your answer to the last question?

WITNESS: Well, I was going -- I was going to add something.

Q. I'm sorry.

A. I was going to add that something had occurred to me that it is broadly circulated to everybody, particularly in the marketing department, is a copy of the cigarette advertising and promotion code.

Q. What does that pertain to?

A. Cigarette advertising and promotion, and it's regulations and rules. I believe it's a voluntary code that the tobacco industry is -- It may have been -- I'm not

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sure of the legal standing of it, but I know at one point it was a voluntary code that lays out what we do and don't do.

Q. When you stated earlier that cigarette smoking is a risk factor associated with certain diseases, what diseases were you referring to?

A. I believe the diseases that are linked are things such as lung cancer, emphysema, heart disease.

Q. And by linked do you mean that there's a statistical relationship between smoking and those diseases?

A. What I believe is that smoking is a behavior that entails risk, and not being a scientist, I can't tell you exactly how that link happens, which diseases. I can just tell you that I believe it to be a risky behavior, and hence, every pack, carton, ad carries a serious warning and has for several decades.

Q. Have you ever smoked?

A. Uh-huh.

Q. Do you presently smoke?

A. Yes.

Q. What brand of cigarettes do you smoke?

A. Winston.

Q. Do you smoke full flavored or light brand?

A. Lights.

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Q. How long have you been a Winston smoker?

A. A couple years.

Q. How long have you been a smoker?

A. I started smoking in college and smoked off and on for several years, and then I quit two years -- Going back in time I had -- until two years ago I had not smoked for about four or five years.

Q. Do you remember your first cigarette?

A. No.

Q. Well, if smoking is a risk factor for certain diseases, why does R.J.R. advertise and promote the sale of its cigarettes?

A. 45 million adults choose to smoke in this country. We are in the business of selling cigarettes, a legal product, and the reason we advertise and promote our cigarettes is an effort to interest more of those adult smokers, approximately 75 percent of whom do not choose to smoke R.J.R. products, but choose to smoke cigarettes made by our competitors, so we market our products in an effort to capture a greater share of those 45 million adults who choose to smoke.

Q. Do you believe the Surgeon General's health warnings adequately inform the smoking public of the risks of smoking?

MR. BEACH: Objection to the form of the

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question, grounds of relevance.

A. I think -- I think the risks, health risks, associated with smoking are universally known and have been for as long as I remember, and I think the warnings aid in the continued reinforcement of those health risks.

Q. Well, what are the health risks that are stated on the cigarette warning labels?

A. All four?

Q. Uh-huh.

A. You'd like me to recite the -- Cigarette smoke contains carbon monoxide. Smoking by pregnant women can result in premature birth and I believe reduced birth weight. Cigarette smoking can cause lunge cancer, emphysema, heart disease. And quitting smoking now greatly reduces serious risk to your health.

Q. When you said the health risks associated with smoking are universally known, were you referring to all the statements made on the cigarette warning labels?

A. I was referring to, in general, the fact that cigarette smoking has been linked to various diseases, and that people know cigarette smoking is not good for you.

Q. Well, do people understand the range of health risks that are associated with smoking --

MR. BEACH: Let me object --

Q. -- that you --

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MR. BEACH: I'm sorry. Are you done with your question?

Q. Do people --

MR. CASSIDY: No.

Q. Do people understand the range of health risks that are associated with smoking, whether that's limited to the Surgeon General's health warnings or not?

MR. BEACH: Let me object to this question on multiple grounds. First of all, it calls for speculation, and therefore this is an objection as to form. Second of all, I'd like to make the observation, Mr. Cassidy, I have a relevance objection to this whole line of questioning which seems to me to be improper, well outside of Mr. Leary's expertise.

MR. CASSIDY: Are you going to continue to make speaking objections throughout this deposition and violate the stipulation? Can you just not say relevance?

MR. BEACH: Are you going to continue to pound your fist on the table? I'm simply telling you that I have a concern about the fact that you're wasting this gentleman's time, you're wasting my time, and everybody else associated with this deposition asking questions that are improper.

MR. CASSIDY: Fine. We can continue past 5:30 if we're going to spend the whole deposition talking to each

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other.

Q. Are you aware of the types of cancers that are identified by medical authorities as caused by smoking?

A. I'm aware of lung cancer.

Q. Are you aware of any other types of cancer that are identified by medical authorities as caused by smoking?

A. No.

Q. Of the cancers that afflict women today, are you aware as to whether more women die from lung cancer or breast and colon cancer?

MR. BEACH: Objection to the form of the question. It's well outside the area of his expertise. These questions are improper and irrelevant.

Q. Is this outside of your expertise?

A. Yes, I know nothing of the --

MR. BEACH: He's not a scientist, Mr. Cassidy, as you well know.

MR. CASSIDY: Are you testifying?

MR. BEACH: No, I'm simply reminding you of what you know, Mr. Cassidy. Why don't you move this deposition so we don't have to be here past 5:30.

MR. CASSIDY: Counsel, we can go until 6:00 p.m. if you want to keep on talking.

Q. Have you ever reviewed any articles or studies on the health consequences of smoking?

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A. I've seen articles written on the health consequences of smoking. I don't think I have ever reviewed specifically a study on it, no.

Q. Well, in those articles that you have seen, did you read them?

A. Yes.

Q. Do you attempt to keep updated on what the medical community considers the hazards of smoking?

MR. BEACH: Same objection to these questions.

A. The cigarette industry and topics related to it are reported on widely in the press, and I read articles about it on a regular basis. I do not make an attempt my own to keep up with the status of the medical community, no.

Q. Do you have an awareness of how many people are identified by the Center for Disease Control as dying from tobacco use each year?

MR. BEACH: Objection to the form of the question, foundation, assumes facts not in evidence.

Q. Do you have an awareness that the Center for Disease Control issues statistics with respect to medical issues in America?

A. I've heard that, yes.

Q. Okay. Do you have an awareness of how many people the Center for Disease Control estimates die from

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tobacco use each year?

MR. BEACH: Same objection.

A. I've read estimates in the press, a wide variety of estimates.

Q. Well, do you have an understanding as to any specific number, or memory of any specific number?

A. I've heard numbers all over the board. Not really.

Q. Would one of those numbers be over 400,000?

A. I may have heard that.

Q. Are you aware of how many people die in the United States each year?

A. How many people die in total?

Q. (Nods head affirmatively)

MR. BEACH: Same objection to these questions.

A. No, I do not know how many people die each year in the United States.

Q. Are you aware that the medical authorities estimate that the number of people killed each year by AIDS, alcohol, drug abuse, car crashes, murders, suicides, and fires combined is less than the total number of people that die from smoking related diseases?

MR. BEACH: Objection to the form of the question, Counsel now repeatedly is testifying, form, and it assumes facts not in evidence. It's an improper

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questions, you know it, Counselor. Why don't you move along?

MR. CASSIDY: He can say he's not aware. He can say he's not aware.

MR. BEACH: Well, he's not -- You're assuming that what you're testifying to is accurate. Your testimony is inaccurate. Why don't you ask him a fair question, Counselor, and move this deposition along.

Q. Do smokers understand the hazards of smoking that are identified on the warning labels of cigarettes?

A. What I do is talk to adult smokers about the marketing or marketing programs for our brands. I only talk to adult smokers in assessing their interest level. I don't talk to smokers about smoking habits in general. I believe, on my own personal opinion, that smokers and -- are very aware of the potential health risks associated with smoking.

Q. Do you have any understanding as to teenagers who smoke, if they are very aware of the health risks of smoking?

MR. BEACH: Same objection. This whole line of questions is improper.

MR. CASSIDY: I'll stipulate that there's a continuing objection.

A. Again, let me just repeat my answer to the former

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question. I spend my time, and have since I came to this company, talking to nothing but adult smokers about the brands that R.J. Reynolds make. I have not, am not, or intend to talk to anyone under legal age about smoking. So I have no knowledge of underage peoples' opinions on smoking. I can voice my own opinion that I believe that health risks associated with smoking is universally known among everybody. And, in fact, my own company has engaged in a program to educate people in high school that smoking is not something that they want to do.

In addition, we have been actively involved with retailers in a program called We Card in an effort to restrict access to cigarettes among minors. In addition to that, any program that we execute requires a signature on the part of a smoker that they are a smoker 21 years of age or older, and when it involves a one-on-one contact, as it does, for instance, at a Winston Cup event, an adult smoker is required to show a photo ID, sign something that says they're an adult smoker at 21 years of age or older. They can then go to a place to get cigarettes where they are again in the presence of a security guard, asked to show their photo ID again. So those are the steps that we take to make sure that we are communicating effectively with adult smokers and only adult smokers.

Q. With respect to your belief that's universally by

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everyone, am I to interpret that phrase as everyone would include teenagers with the understanding that you have not studied teenage smoking?

A. It is my opinion that teenagers in this country are aware of the health risks of smoking. But I do not talk to nor do I have any information as regards to teenagers.

Q. Is teenage smoking a serious problem in America?

A. My position and my company's position is that we do not want anyone, any adult, under the legal age to smoke. So I don't believe teenagers should smoke, I don't believe -- I know my company doesn't believe teenagers should smoke, and so if teenagers are smoking, it's a problem and we don't want that to go on. It's an adult decision and -- which is why we have been involved in communicating to high school students with the Right Decisions Right Now program, as well as the We Card program with retailers to restrict access to people underage.

Q. Well, do you have any understanding as to the number of teenagers that are smoking in America?

A. No.

Q. You haven't read anything in the popular press?

A. I have heard discussion of teenage smoking, but I do not have knowledge of what the statistics are. I have a general feel that approximately 98 percent of the

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cigarettes sold in this country are sold to adults, at least 2 percent of how many people underage smoke I don't know.

Q. What are the total volume of cigarettes sold in America then?

A. I'm not sure.

Q. What are the total volume of cigarettes sold by R.J.R. Reynolds?

A. I'm not sure of that either.

Q. What are the total volume of Winston cigarettes sold?

A. About 24 billion.

Q. Have you heard a report in the popular press that 3,000 teenagers begin smoking each day?

MR. BEACH: Objection to the form of the question.

A. I can't recall. I've heard teenage smoking thrown around in many articles and reported, and I don't remember the numbers.

Q. But you have read articles and reports then on teenage smoking in the popular press?

A. Uh-huh. Yes.

Q. Well, is one of the reasons why R.J.R. Reynolds is engaged in all these activities with respect to teenage smoking because it believes that teenagers don't have the

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maturity necessary to make an informed decision as to whether to begin smoking?

A. I think that's one of the reasons this company is involved in that. And again, we have no desire for anybody underage to smoke cigarettes.

Q. Are there any other reasons that you are aware of as to why R.J.R. Reynolds is engaged in these activities?

A. Well, one common sense business reason is that every time someone underage smokes, we're blamed. And our marketing efforts are criticized for provoking that person to smoke. So from a pure standpoint -- First, we don't want anyone underage to smoke. But secondly there's another reason which is the point of view is put forth that if someone underage smokes, it must be the marketing that made them do that. And as I have stated before, I, in fourteen years. Have never spoken to one smoker under the age of 18 about any of the programs we're doing, and we take great steps to make sure our efforts hit the right adult smoker group.

Q. So there's an aspect of self interest in also promoting efforts to reduce teenage smoking consumption?

A. I think there's -- Yeah, clearly we don't want anybody underage to smoke, period. It's an adult custom. There are risks that we recognize that are clearly stated on every warning. There are 45 million adults that smoke.

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98 percent of the total market I understand is adults, and 2 percent perhaps that are underage. So there's a number of reasons we don't -- there's plenty of business in the adult market. But yes, an additional reason is if someone is seen with a pack of Winston or Camel and they are not of legal age, some draw the conclusion that our marketing efforts must have provoked that. And yeah, there is a degree of self interest in not wanting kids to smoke, amongst other reasons.

Q. And I was trying to get to the amongst other reasons also. Would one of the reasons be because the earlier the onset of smoking, the greater the likelihood over the lifetime of the smoker that he or she may develop one of the diseases mentioned on the cigarette warning labels?

MR. BEACH: Objection to the form of the question, lack of foundation, assumes facts not in evidence, and calls for speculation.

Q. Well, do you have --

MR. CASSIDY: I'll rephrase the question then.

Q. Do you have any understanding as to whether the earlier the onset of smoking, the greater the likelihood over the lifetime of the smoker that he or she may develop one of the diseases that are listed on the cigarette warning labels?

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A. No.

Q. Do you have any understanding as to whether teenagers erroneously believe that if they only smoke for a few years, they will be able to easily quit smoking thereafter?

A. I don't have any knowledge of any teenage perceptions of smoking at all because, as I've mentioned, for fourteen years we have done nothing but talk to adult smokers and develop programs that interested adult smokers in buying our brand. So that's the limit of my knowledge about attitudes.

Q. Do you have any knowledge as to activities with respect to teenage smoking by R.J.R. Reynolds prior to your employment in 1984 with R.J.R. Reynolds?

A. No.

Q. Have you ever seen a teenage smoker?

A. I have seen teenagers smoking, yes.

Q. Have you seen any teenagers smoking this year?

A. I don't know.

MR. BEACH: Can we get some clarification in the record here. Steve, I'm not trying to -- When you say teenagers, are you talking about people below the age of 18, or are you including 18 and 19 year olds in your question?

MR. CASSIDY: I'll be happy to ask, and I was

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going to get to that too.

Q. You early mentioned that 98 percent of the cigarettes sold in America are sold to adults. What's your definition of adult?

A. Well, there's two parts of that. The legal age to purchase cigarettes is 18 nationally I believe. When I talk about marketing, we market only to adult smokers 21 years of age and older, so.

Q. So the 98 percent figure, you're taking that from 18 to the end of life, but marketing is 21 and higher?

A. I believe the 98 figure, 98 percent of the cigarettes sold, and this is again read in articles, 98 percent of cigarettes sold are to the legal age to purchase cigarettes, so I'm assuming that's 18 plus.

Q. Okay. Has R.J.R. --

A. Again, let me just clarify. I'm not an expert on all the statistics of who smokes, who doesn't, what's going on with the CDC. You pointed out some of those things, that's just -- I've read casually articles the 98 and 2 percent.

Q. Okay. Has R.J.R. Reynolds always taken the position that it only markets to adults as defined as persons 21 and older?

MR. BEACH: Objection to the form of the question, lack of foundation.

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MR. CASSIDY: This is a foundational type question.

A. We have all --

MR. BEACH: I mean, I'm just quietly disagreeing with my co-counsel's statement.

A. We have always taken the position, ever since I have been with the company since 1984, that we only market to adults of legal age to buy cigarettes. Several years ago, I believe it was in 1992, there was a controversy or issues being raised about who were we marketing to. At that point and time, in order to build a buffer in between the legal age to purchase cigarettes and our marketing activities, we built in a three-year buffer in an effort to remove any doubt and not have anything happen that could be criticized, even though we were only talking to 18 years of age and older smokers, we moved that up to 21 plus. So I believe it was 1992, I could be wrong on that date, several years ago, we began only doing marketing program development among 21 plus adult smokers.

Q. And do you have any memory as to what time in 1992 that was -- that proposal was adopted?

A. No, I do not remember the month.

Q. Is it possible it was adopted in 1992 and not implemented until 1993?

A. My recollection of that was it was immediate is

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my recollection, but I'd have to go back and look, but --

Q. Do you make marketing plans one year in advance?

A. Yes, we do.

Q. Is there the possibility that some of the implementation did not occur until 1993 if the decision was made in 1992?

A. I'm really not in a position to answer how that transpired. I'd have to go back and look.

Q. What's happening to the size of the cigarette market in America in the 1990s? Is it increasing or decreasing?

A. The total market I believe is decreasing.

Q. Do you have an idea as to by what percentage it's decreasing?

A. I've heard the 2 percent figure, 2 percent a year declining, 2 percent, but I'm not sure. It could be more than that.

Q. If the market is declining by 2 percent a year and if no teenagers ever smoke cigarettes, do you have any idea as to how long it would take before there would be no cigarettes sold in America?

MR. BEACH: Objection to the form of the question, it calls for speculation.

MR. CASSIDY: Well, the witness has just testified that the market is declining.

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MR. BEACH: You don't have to comment on my objections, Mr. Cassidy, with all due respect. I've objected to your question, let him answer it.

MR. CASSIDY: Okay.

A. The answer to do I know when it -- Could you rephrase it? I'm sorry.

Q. Okay. You testified that the market, and again we're using approximates, it's declined by 2 percent a year in the 1980s, and you also said that in the press you have seen reports that the size of the teenage smoking -- or the number of teenage smokers represents 2 percent of the market, do you have any knowledge as to when there would no longer be anymore cigarettes sold in America if teenagers did not smoke?

MR. BEACH: Same objection to the question.

A. I think it would be a long time before the market -- And your question was before how many teenagers would not smoke, or before there would be no cigarettes sold?

Q. If there were no teenagers smoking in America, would eventually there no longer be a market for cigarettes in America based upon a 2 percent decline in the market each year?

A. I don't know the answer to that. I know that currently 45 million adults smoke. I have been at the

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company for fourteen years. I'm not sure what's happened to the cigarette industry over that time. I'm willing to speculate it's declined a great portion of those years. I suspect it will continue to decline. But as far as I can see in the foreseeable future, there will always be a portion of adults in this country, as long as the product is legal, which it is now, that will continue to choose to enjoy cigarettes. So I don't have the math in front of me. I personally doubt that the cigarette industry will go away in the foreseeable future because it's something that's used by one in four adults in this country, it's 25 percent, and it's a big group of people who choose to smoke.

Q. Well, what is the foreseeable future in your opinion?

A. My employment.

Q. Twenty more years?

A. Perhaps not that long. But I'm not pinning it in to twenty years, I'm just saying that I don't know the answer to what -- how long that lasts. I believe that adults choose to smoke, and they will continue to choose to smoke.

Q. Is smoking expensive for most smokers?

A. If your question is how much do cigarettes cost, I think they vary from probably $2.00 to $5.00, depending

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on where you buy them. Expensive is a relative term.

Q. Why is it a relative term?

A. Because what's expensive to one person may not be expensive to another.

Q. Well, do you have any understanding as to the socioeconomic class of individuals that typically buy cigarettes?

A. No specific information. Again, when you're talking about 45 million adults, you're talking about a pretty broad spectrum of this country. That's one in four adults.

Q. Is it fair to say that smokers are generally less educated and have lower income than the general population?

A. I don't know that that's fair to say.

Q. Well, do many people find that smoking creates a foul odor?

MR. BEACH: Objection to the form of the question.

Q. Do many people find that smoking creates a foul odor?

MR. BEACH: Do you want to define who you're talking about?

Q. Do you have any awareness of whether smoking is considered to create a foul odor?

A. I can speak to my experience on new brands. When

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we developed a cigarette that had a more pleasant odor, we found that among some adult smokers that they appreciated that more pleasant odor, so that's the last time I have had any extensive discussions with adult smokers about the aroma of cigarettes. But at that point and time, back in '88 to '90, that was something that interested a portion of adult smokers.

Q. Because a portion of adult smokers disliked the odor that they were presently smelling from cigarettes?

A. They preferred the aroma of Chelsea and Horizon.

Q. They preferred because they disliked the present odor?

A. They liked it better than the current odor.

Q. Does smoking stain one's teeth?

A. I have heard in the course of my business that that is a concern for some adult smokers. I haven't dealt nor talked to adult smokers about teeth stain.

Q. Are you aware of any toothpaste that's sold on the market that is advertised specifically to smokers?

A. Now that you have mentioned it, I think I have seen some ads for a toothpaste like that.

Q. Well, given these issues, why do people choose to smoke?

A. I can speak to why I smoke. I enjoy it. I like the taste of it. I don't -- I talk to adult smokers who

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have already chosen to smoke in the development of our marketing programs, and I have never talked to them about the choice to smoke or not to smoke.

Q. How many cigarettes do you smoke a day?

A. Probably a-pack-and-a-half, two packs.

Q. Do you enjoy the taste of chocolate?

A. I like chocolate occasionally.

Q. But you don't eat it on a daily basis?

A. No.

Q. Well, do you think nicotine plays any role in why people smoke?

MR. BEACH: Let me object to the form of the question on the same grounds that I've objected in the past, that you're straying outside of the area of this gentleman's expertise.

MR. CASSIDY: Okay. I'll stipulate to all my questions with respect to nicotine as an ongoing objection.

A. I can speak for -- Can you repeat the question? I'm sorry.

Q. Yes. Do you think that nicotine plays any role in why people smoke?

A. I can't speak with any scientific knowledge of how the various components of a cigarette operate. It is my own personal opinion that nicotine plays a role in the taste characteristics of a cigarette, and I think it

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probably has a mild relaxing affect. But again, I don't know the ins and outs of cigarette design or the scientific way that a cigarette operates. That's in my own personal opinion.

Q. Well, is nicotine found in cigarettes?

A. Uh-huh. Yes.

Q. What is nicotine?

A. I really don't know, other than it is a part of the tobacco plant.

Q. Well, is nicotine a drug?

A. I don't know the answer to that, whether nicotine is scientifically classified as a drug or not. In my mind, which it is just a layman's point of view, I look at it similar to like caffeine, where it is a part of something that you ingest like coffee. I think caffeine has a mild stimulating affect, and I think nicotine probably has some mild affect to, but I don't know what nicotine would be characterized as.

Q. Well, maybe we're dealing with semantics here. Can you give me a definition of the word drug?

A. No.

MR. BEACH: I think these questions are ridiculous, Mr. Cassidy. Why don't you try to ask some questions within the realm of this man's expertise and experience at the company. You're wasting his time and

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you're wasting my time.

MR. CASSIDY: Well, I'm not here to give speeches with you. Okay? So just state your objection and let me continue.

Q. Is nicotine a poison?

A. I don't know where nicotine is classified. I don't believe it's a -- I don't know. I do not know. You're asking me questions about nicotine and its scientific definitions. I don't know.

Q. Well, do you have any understanding that if a person consumed, say, a single shot glass of liquid nicotine, what would happen to him or her?

A. No.

Q. Have you ever reviewed any studies or written any -- or read any articles involving the topic of addiction?

A. No.

Q. Have you ever reviewed any studies or read any reports concerning the affect of nicotine on a body?

A. No.

Q. Can you define the word addiction?

MR. BEACH: Can I have my same objection to these questions as well?

MR. CASSIDY: Yes. As long as I'm on the topic of nicotine, I am stipulating that you have an ongoing

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objection to every question that I'm asking.

A. Can I define addiction?

Q. The word addiction.

A. I can speak to how I believe addiction is used in today's common vernacular. Addiction is used to refer to any activity, luxury, pastime that people do habitually, and for one reason or another don't want to stop or find it difficult to stop, be it jogging, eating chocolate, love. Addiction is used to describe any activity that people do a lot of, I believe is how it's used today.

Q. Well, under your definition of addiction, is nicotine an addictive substance?

A. If you ask me do people smoke under the type of definition that I used to describe addictive there, I would say yes. Whether nicotine is addictive, I don't know. I would say that under the description I gave you of how people use addiction, addicted to love, I'm addicted to chocolate, I'm addicted to jogging, I can see how in today's environment people would describe smoking as addictive. Now, my own personal opinion is that smoking is habit forming. And it can be more difficult for some to quit than others, but the sheer fact that 45 million adults have quit smoking, myself included for years at a time, I think it can be done. And -- But again, back to your addiction question, as addiction is used today, I can see

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how people would characterize smoking as addictive.

Q. Well, do you think we ought to consider the physiological effect of a substance in evaluating whether something is addictive?

MR. BEACH: Who's we?

MR. CASSIDY: We as in lay people.

A. Should we consider the physiological -- What was the other?

Q. Should we consider whether if there is a physiological effect into evaluating whether something is addictive?

A. You're into a area on physiological whatever of addiction that I'm just not --

Q. Do you have an understanding of the word physiological?

A. Uh-huh.

Q. Okay.

A. But you're into --

Q. Well --

A. Physiological effects of addiction and this and that, I think there's a scientific community out there that studies that I think is --

Q. And what has the scientific community stated with respect to nicotine being addictive?

A. Well, I have read in the paper where many -- As I

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just said, I can understand how some would say it's addictive. I have read in the paper where some have characterized cigarettes as addictive.

Q. Should we rely upon that opinion of the scientific community?

A. That's a personal decision. I don't have an opinion on whether science is to be believed or not.

Q. Should that guide R.J.R. Reynolds in its marketing operations?

A. What guides our marketing operations is the law and the right thing to do, and ever since I have been at this company, fourteen years, we have responsibly marketed our products to adults who choose to smoke, and that's what's guided our marketing, and I think that's what ought to continue to guide our marketing.

Q. Did you study any courses when you were taking premed classes that touched upon addiction?

A. My premed stint was brief, and I don't recall any courses on that topic.

Q. Now, you mentioned that you quit, but you correct me if I'm wrong, you did not quit successfully?

A. No, when I wanted to quit, I quit. And then I started back.

Q. So it was always a free choice to quit and then to start?

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A. Uh-huh.

Q. You have mentioned that the law -- that R.J.R. Reynolds follows the law and also does the right thing to do.

A. (Nods head affirmatively)

Q. Are you aware of a --

MR. BEACH: Hang on just a second. Ned, you have to answer verbally.

WITNESS: I'm sorry.

MR. BEACH: And let me just object to his statement that he's mischaracterizing your testimony, which speaks for itself. If you want to ask a different question, ask a different question.

Q. Am I mischaracterizing your testimony to say that R.J.R. Reynolds attempts to follow the law and, quote, the right thing to do, unquote?

A. And I think R.J.R. has followed the law, and the right thing to do would be to follow the law.

Q. Well, is there sometimes a difference between what is legally required and what is, quote, the right thing to do, end quote?

A. I do not think that there's a law that governs every -- every right and wrong out there. What I can say as it relates to cigarette marketing is that the proper way to market cigarettes in accordance with the law and the

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the -- this product is to market it responsibly to adult smokers that choose to smoke, and that's what we've done. That's what I've done since I've been at this company.

Q. Have you seen any of warning labels on cigarettes sold by the Liggett Company?

A. I don't know that I have.

Q. Are you aware that there's something unique about the warning labels sold on cigarettes by the Liggett Company, as opposed to any other tobacco company in America?

A. I think I did read something about they added another -- another warning.

Q. What's your understanding of that additional warning?

A. I think they may have added one relating to addiction.

Q. Are they legally required to do that by federal law?

MR. BEACH: Objection to the form of the question.

Q. Do the federal warning labels require mention as to whether smoking is addictive?

MR. BEACH: Objection to the form of the question.

Q. Can you answer it? Do you have the ability to

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answer the question?

A. I think I already stated the four warning statements.

Q. And within those four warning statements is there any mention as to whether cigarette smoking is addictive?

A. Only in my opinion the warning that speaks somewhat to quitting now greatly reduces risk to your health has some implication to result -- to say you can quit now.

Q. Well, do you think that fully informs people as to whether cigarette smoking is addictive?

A. It informs people that quitting smoking now greatly reduces serious risk to your health.

Q. Would R.J.R. Reynolds be placing cigarette warning labels on its packages if it were not required to do so by the federal government?

MR. BEACH: Objection to the form of the question.

Q. R.J. Reynolds agreed, I think it was in the late '60s and early '70s, to place warnings on its packs, on its cartons, on its print ads, on its billboards, and we've faithfully done so for the whatever that is, twenty-eight years.

Q. Have you ever seen any advertisements by the United States Tobacco Company with respect to smokeless

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tobacco products?

A. I don't know the company. I have seen smokeless tobacco ads.

Q. Have you ever reserved as to whether there are any warning label on those products with respect to cancer?

MR. BEACH: Objection to the form of the question as to relevance. Do you understand the question?

A. I have seen ads by smokeless tobacco people, and I have seen warnings on them.

Q. But have the warnings mentioned whether consuming the product can lead to any type of cancer?

A. I can't recall. I don't purchase smokeless tobacco products, therefore I don't pay much attention to the advertising.

MR. CASSIDY: I'm going to introduce as the next exhibit an advertisement that is found within the August 1998 issue of Penthouse magazine on Copenhagen tobacco products.

(Exhibit #6 marked for identification.)

MR. CASSIDY: After you look at it you can just put it there.

MR. BEACH: Do you have extra copies of this?

MR. CASSIDY: No, we're going to have to copy that during a break.

MR. BEACH: I object to the use of this on

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relevance grounds.

MR. CASSIDY: Okay.

Q. Could you please just display it there so that the video camera can get a look at it. Is there any warning label on that advertisement that mentions the word cancer?

MR. BEACH: Can I have a continuing objection to all the questions relating to this exhibit?

MR. CASSIDY: Sure. I'm still on the topic of nicotine addiction issues, so I think it's fine.

A. I don't see anything.

Q. Okay. Have you seen any advertisements for cigar products?

A. I may have. I don't recall seeing any recently.

Q. Well, then you don't have any recall as to whether there's any warning labels with respect to cigars being sold?

A. No.

Q. Do you think it's easy to quit smoking?

MR. BEACH: Excuse me. Before you answer that question, are you done with that exhibit, Mr. Cassidy?

MR. CASSIDY: Sure.

MR. BEACH: Why don't we take it down. Do you have the question in mind?

WITNESS: His question?

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MR. BEACH: Yeah, do you think it's easy to quit smoking I think is what it was.

A. I think when someone makes up their mind to quit smoking, they can quit smoking.

Q. Well, do you think it takes motivation by the smoker to quit?

A. I think accomplishing anything takes motivation, including quitting smoking because I think it's -- it's a habit-forming type thing, and -- But I think when you make up your mind to quit, you can quit, as evidenced by 45 million adults who have quit. I understand most of the large majority of whom without any -- any assistance.

Q. Well, do you think it often takes several attempts before a smoker can permanently cease smoking?

A. I don't study how people start smoking or how they quit smoking. It is my own personal opinion that once an individual makes up their mind and commits themselves to quit smoking, you can quit smoking.

Q. Well, but you haven't studied this area, correct?

MR. BEACH: Objection, argumentative. I mean, come on, why don't we move along here, Mr. Cassidy. He already testified to that effect.

Q. Have you studied the issue of cessation of smoking?

A. No.

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Q. Is your knowledge, with respect to cessation of smoking, limited to your personal experience and the 45 million figure that you have mentioned?

A. Yes.

Q. Do you have any knowledge as to whether, when smokers seek to quit smoking, they suffer from withdrawal symptoms?

A. No.

Q. Are you aware of the percentage of smokers that are persistent daily users of cigarette products?

A. Can you repeat that? The number of smokers that are persistent users of cigarettes?

Q. Yeah. Let me phrase it a little bit different. Are you aware of the percentage of smokers that are daily users of cigarettes?

A. I'm still a little unclear. You mean how many smokers smoke daily?

MR. BEACH: On a daily basis.

A. No. No.

Q. As opposed to someone who identifies themselves as a smoker, but only smokes every other day or once a week?

A. No.

MR. CASSIDY: We've been going about an hour. Do you want to take a break?

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MR. BEACH: Yeah.

VIDEOGRAPHER: We're going off the record at 2:08 p.m. This is the end of tape number two.

(There was a break taken.)

VIDEOGRAPHER: We're back on the record at 2:23 p.m. This is the beginning of tape number three.

Q. Mr. Leary, do you understand that you're still under oath?

A. Yes.

Q. You mentioned a number of R.J.R. Reynolds efforts to reduce the consumption of cigarettes by teenagers. Do any of these efforts inform teenagers of the health risks of smoking as set forth in cigarette warning labels?

MR. BEACH: Let me interpose an objection to this question, and presumably there are going to be more to follow it, Mr. Cassidy. One of the areas, as you know, that was specifically asked for in terms of a person most knowledgeable in your deposition notice was as to Reynolds' youth nonsmoking programs and the components of those programs, and it's my understanding that we have offered and identified a specific person most knowledgeable in that area. For that reason, these questions, it strikes me, are improper and beyond the scope of this deposition.

MR. CASSIDY: Can you tell me who that person is and whether R.J.R. Reynolds is willing to produce that

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person?

MR. BEACH: I refer you to your cocounsel, Mr. Sobol I believe is his name, and the deposition of Ed Blackmer that he took a while back.

MR. CASSIDY: Well, this is the sole question I'll have on this topic, and I realize that you're not testifying here as the most knowledgeable person with respect to R.J.R. Reynolds on this topic.

Q. Do you need the question to be repeated to you, or can you answer it?

A. I am not familiar with the materials. I know that we have circulated, if I'm not mistaken, in hundreds, if not thousands, of high schools material designed to dissuade people in high school about smoking, as well as the program I described earlier about access to smoking with retailers.

Q. I'll ask one follow-up question. When you said you're not familiar, does that mean you haven't actually read these materials?

A. No.

Q. Okay.

MR. CASSIDY: I'd like to mark this as the next exhibit, please.

(Exhibit #7 marked for identification.)

Q. The court reporter has handed you what's been

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marked as Exhibit #7, and this is a photocopy of a New York Times magazine article, and also the cover. Do you recognize the person on the cover of this article?

A. Yes.

Q. Who is this person?

A. Steve Goldstone.

Q. Have you ever met Mr. Goldstone?

A. Yes.

Q. On how many occasions?

A. Probably four or five.

Q. And can you tell me the context of those meetings?

A. Most of those meetings were in relation to reviewing the Winston No Bull proposition with him. I have also met him, however, at NASCAR Winston Cup races I believe on two occasions.

Q. Did he have the ultimate authority in the approval of the No Bull campaign?

A. My chain of command and who I dealt with on the recommendation to launch this was my boss, Lynn Beasley, and Andy Shindler, C.E.O. of Reynolds Tobacco. And how the decision was made beyond Mr. Shindler, I'm unaware of.

Q. You have no knowledge, either personal or through someone speaking to you as to Mr. Goldstone's role, if any, in the decision to launch the No Bull campaign on a

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national basis?

MR. BEACH: Objection to the form of the question, asked and answered, argumentative.

MR. CASSIDY: I'm trying to be precise here. Okay? I have a general statement from the witness and I'm trying to get a precise answer. Can you repeat the question to the witness?

COURT REPORTER: You have no knowledge, either personal or through someone -- or through someone speaking to you as to Mr. Goldstone's role, if any, in the decision to launch to No Bull campaign on a national basis?

A. I'm aware that Andy Shindler reports to Steve, and that they had discussions about this. How the decision was made, I do not know.

Q. Would anyone else within your marketing department have any greater knowledge as to how the decision was made?

A. I think my boss, who reports to Andy, Lynn Beasley is probably closer to that decision-making process, and I suspect Andy is even closer than Lynn to how he and Steve made that decision.

Q. And they never communicated to you as to whether Mr. Goldstone was involved or not involved in that decision, and they being Mr. Shindler and Ms. Beasley?

A. I know that Andy -- Mr. Shindler and Mr.

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Goldstone -- I mean, I presented it to Mr. Goldstone. My boss, Lynn Beasley was there, Mr. Shindler was there. I know Mr. Shindler, given that he reports to Mr. Goldstone, was in discussions with Mr. Goldstone about this decision. How they made it, I don't know.

Q. Okay. Well, I'd like you to turn into the article, and I just want to quickly highlight a couple quotes here and ask you your opinion as to some of the statements. And I'll preface this by saying I'm not asking you to vouch for the accuracy of these statements. Let's go to page 38 of the article.

A. Yes.

Q. And if we look in the middle column, it refers to at the bottom of the second full paragraph, the article states "he is certainly one of the only CEOs in America who could tell their employees and shareholders that the most they will achieve for them is," internal quotation, "slow and manageable decline in an increasingly obsolete industry," close internal quotation. Do you share a similar opinion with respect to the tobacco industry?

A. I believe, as I have stated earlier, that cigarette smoking will most likely continue to decline, simply based on historical trends.

Q. Over -- Is it not though the goal of R.J.R. Reynolds to increase its share of the cigarette market?

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A. It is.

Q. Is it not also R.J.R. Reynolds goal, if possible, to attempt to avoid having the cigarette market go into a slow and manageable decline?

A. We are not -- Let me speak to the context of what I have done and what I have seen this company do. We do not -- I have not been involved in talking to people that don't smoke, nor people under the age of 18, or 21 since 1992, don't have any discussion about how to stop people from stopping to smoke. I pay no attention to the decline of the industry, and the reason is there are 45 million adults who choose to smoke, my company has 25 percent of that business, my brand has 6 percent of that business, that's 94 percent of the market, in the case of Winston, adults that choose to smoke that don't pick my brand. There's a lot of room for improving my business performance among the 45 million adults that smoke, and I spend no time nor have any interest in changing the course of public smoking tendency.

Q. But if the overall rate of smoking in America does drop substantially like 2 -- I mean, if we're looking at a 2 percent decline a year over ten years, is it fair to say that that's a 20 percent drop?

MR. BEACH: Objection to the form of the question.

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Q. Okay. Over a ten-year period if the rate of the cigarette consumption was declining by 2 percent, what would the total rate be?

A. I don't know. I'd have to figure that out.

Q. You took statistics in business school, is this too hard of a question for you just to answer off the top of your head?

A. Well, if you take --

MR. BEACH: Hang on a second. It's improper. Don't be argumentative with this witness, please, Mr. Cassidy. He told you that it was a difficult question. It's probably more difficult than you understand it to be.

Q. Well, if you can tell me.

A. The cigarette industry has been declining ever since I came to work with the company. It's a big industry. 25 percent of this country's adult population smokes, that's 45 million smokers today. This decline has been in place since I have been at the company, which is fourteen years, I believe, I have not looked at every year, but that's my gut. The industry today is big and it is competitive and it is profitable, and there are business gains to be had in my opinion for the foreseeable future. And I cannot foresee a situation in which there will not be business opportunities for R.J. Reynolds Tobacco Company among the adults that choose to smoke in this company -- or

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in this country for the years to come. And that's what I've done for fourteen years, and I'll continue to do it for the foreseeable future.

Q. Let's go further into the article. And it's kind of small in the lower left, it says page number 58, but it's the third to the last page of the exhibit. Okay. And I'm looking at the right-hand column. And have you read this article previously?

A. Yes.

Q. Was this topic A at R.J.R. Reynolds after it came out?

A. This was in the New York Times Sunday Magazine. I get the New York Times at home on Sunday, and that's where I read it.

Q. Well, when you got to work on Monday, were people talking about this article, whether they had read it actually or not?

A. I knew the article was going to come out on Friday. I read it on Sunday. And Monday there were some people talking about this article.

Q. Did you talk to some of your colleagues on the senior brands units, such as Ms. Creighton, about this article?

A. I can't remember whether I talked to her about it.

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Q. Okay. I'm just looking specifically at the quote, and I'm going to start here, "I can't tell you that people down at our company in Winston-Salem might not hope that 16 years old who smoke smoke our brands."

A. Wait a minute. I'm sorry. I can't find where you are.

Q. Okay. I apologize then. I'm in the upper right-hand corner of column number 2.

A. Got it.

Q. Okay. And I'm reading I guess it's the last two sentences. It's quote, "I can't tell you that people down in our company in Winston-Salem might not hope that 16 years old who smoke smoke our brands. If you're asking how I react to it, negatively, man, negatively."

MR. BEACH: Let it reflect for the record that it was incorrectly read by Counsel.

MR. CASSIDY: What did I incorrectly -- incorrectly read?

MR. BEACH: I believe you used the word might instead of may.

MR. CASSIDY: Okay. If I did say that, I misspoke.

Q. Do you have any idea as to which people in Winston-Salem Mr. Goldstone might be referring to?

MR. BEACH: Objection to the form of the

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question, calls for speculation.

A. I have no idea.

Q. Are you one of the persons in Winston-Salem that may not hope that 16 years olds who smoke smoke R.J.R. brands?

MR. BEACH: Objection to the form of the question, same grounds, calls for speculation.

A. As I have stated over and over, for fourteen years since I came to work at this company, we have been solely focused on marketing our products to adults that choose to smoke. I have never heard one conversation, I have never seen one indication that anyone is interested, has been interested, that any marketing plan has been developed, that any action has been taken to do anything but attract adult smokers of competitive brands to our products. That, in and of itself, is a hefty challenge, and making progress against that objective is difficult. And it takes every ounce of time and energy to build brands among the 45 million adults that choose to smoke, and I have never seen any evidence of anything to do with attracting people underage to smoke our brands.

Q. And so we're clear for the rest of the deposition, when you say adult, currently you're talking 21 or older, prior to 1992 it was 18 and older; is that correct?

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A. 18 years of age is now I believe the national age for the purchase of cigarettes, and in many states I think it was 18 way back. That has been the legal age to buy cigarettes. Our marketing activities have been developed, prior to 1992, adults 18 and older. Beginning in 1992, I believe that's the correct date, it was -- it began to be 21 and older. So there was a change in who we develop our marketing programs among. The legal age, as far as I know, has always been 18, and I think some states were lower than that, but --

Q. I'm not going to ask anymore questions on this exhibit. How does one become an 18 year old smoker?

MR. BEACH: Objection to the form of the question.

A. How does one become an 18 year old smoker? You become 18 by aging from 17 into 18. You become a smoker by choosing to smoke. I mean, I'm not sure I understand where you're -- what you're --

Q. Well, you can correct me if I'm wrong, but I think there's two possibilities, you're 18 years old and you decide to smoke, or you're a 17 year old smoker and you turn age 18.

A. The only thing I can speak to you about with firsthand knowledge is talking to smokers. Up until 1992 we talked to 18 and over smokers, already they smoked,

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they're 18. Beginning in 1992 we only speak to people that are 21 and smoke. Their behavior prior to that I have no knowledge of. I can tell you that they were at least 18, and in most cases we talked to 18 to 34 would be an average group. Now, we speak a lot to 21 to 34 year old adult smokers.

Q. Did R.J.R. Reynolds ever track the buying habits of persons less than 18 during your employment that you're aware of?

A. Not that I'm aware of.

Q. Did R.J.R. Reynolds ever track the cigarette smoking rates of persons under the age of 18 under your employment that you're aware of?

A. Not that I'm aware of.

MR. CASSIDY: Would you please mark this as the next exhibit.

(Exhibit #8 marked for identification.)

Q. Mr. Leary, the court reporter has handed you what has been marked as Exhibit #8. Can you please identify what the title of this document is?

A. Down here or up here, R.J.R. Secret Number 386.

Q. Specific internal title then.

A. Younger Adult Smokers: Strategies And Opportunities.

Q. And at the time that this memo was written, do

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you have an understanding as to what the word younger adult smokers meant?

MR. BEACH: Objection to the form.

A. I wasn't with the company in February of 1984.

Q. When did you join the company in 1984?

A. June.

Q. Was the term younger adult smoker ever used during your tenure as an employer of R.J.R. Reynolds?

A. Yes.

Q. Okay. Do you have knowledge as to what that term meant?

A. What it has meant to me is when you look at a total profile of adult smokers that ranges from 18 until whenever, and the younger adult portion of that is the younger section of that profile of the adult smokers.

Q. And can you give me the specific ages of that younger profile that the term younger adult smokers refers to?

A. It can be used -- I think my -- Most of my experience would use it in 18 to 34 year old age group. Sometimes it's used to describe 18 to 24 year old adult smokers.

Q. Has it ever been used to identify 18 to 20 year old smokers?

A. I've never used it to describe that narrow a

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group.

Q. Well, have you ever received, as an employee of R.J.R. Reynolds, any statistical information related to the buying habits of 18 to 20 years old?

A. I don't know. It's -- it's possible to segment the adult smoking population in any number of ways as we covered in the first meeting. It may be that it's been looked at 18 to 20, 20 to 24, 24 to 30, 30 to -- For purposes of understanding the market I think it can be cut any number of ways.

Q. Just so we're clear, as you sit here today, do you have any specific recall or memory of any documents by R.J.R. Reynolds that analyze on a statistical basis smoking habits of 18 to 20 year olds -- 18 to 20 year olds?

A. I may have seen documents that divided the 18 to 24 group into 18 to 20 on a variety of issues. As to your question of smoking habits, I don't know. I don't recall that.

Q. Well, when you say divided the 18 to 20 year olds --

A. 18 to 24 year olds into smaller segments.

Q. Okay. And one of those smaller segments is 18 to 20?

A. It could be.

Q. Okay. And you say divided with respect to --

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MR. CASSIDY: And Counsel, correct me.

Q. -- a number of issues. What were those issues?

A. Well, for instance, you could look at market share within that group. You could look at smoking preference in terms of full flavor, lights. I mean, you can cut the data any number of ways. You can -- Back when we did work among 18 year olds, you could go out and talk to 18 to 20, 18 to 24, or you could do an 18 to 34 year old group. It's possible to cut it among adult smokers any number of ways.

Q. Did R.J.R. Reynolds, so the speak, cut the data in a number of ways with -- that showed information with respect to smoking by 18 to 20 year olds?

A. I think it's possible that marketing research segmented the market by age in groups smaller than 18 to 24 or -- I mean, for instance, 18 to 34 can be cut 18 to 24 and 25 to 34.

Q. But I'm just -- I'm sorry.

A. Yeah, I mean, you can cut the data any way you want.

Q. Okay. But these questions -- I want to be clear. These questions that I'm focusing on, I'm thinking of cutting the data specifically with 18 to 20s, and that could have been within a document that was dealing with 18 to 24 year olds?

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MR. BEACH: Seems like part of the confusion may be as to whether you're asking whether they did it or whether it's possible. I'm hearing it's possible, and I'm hearing did you do it.

Q. Well, I went from possible to did you do it. Did you do it?

MR. BEACH: In other words, in your experience with the company.

A. In my experience with the company I may have seen data broken that way. I can't recall any specific instances of that. But if you have a document with that in it, it may refresh my memory. I can speak to what I'm doing now, and what I did when I was on Camel, our primary group of adult smokers we looked at were 18 to 34. We oftentimes divided that 18 to 24 and 25 to 34, but there may have been times when things were produced that looked at that data, 18 to 20, 21 to 24, and on down the line. So what I'm saying is I'm not denying it was ever done. I'm not denying that I may have seen it. I don't recall a specific document that did that, but you may have something that would refresh my memory.

Q. Okay. Did you ever participate in any focus groups in which one of the test groups within that focus group activity was limited just to 18 to 20 year olds?

A. My recollection is that most of those groups were

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18 to 24.

Q. That's fine. But do you have any memory of, within a focus group dedicated to 18 to 20 year olds, whether you specifically tested as a subgroup 18 to 20 year olds?

A. I do not have a specific recollection of doing focus groups among 18 to 20 year olds. I do have recollection of doing focus groups among 18 to 24 year olds. It may be that we segmented that in different ways to gather different learning among adult smokers. If you have something to refresh my memory, I'd be happy to look at it, but I don't recall that instance.

Q. Okay. Have you ever seen this particular memo before?

A. I do not know whether I have seen this. I don't know whether I have seen this specific one.

Q. When you joined the company in June of '94, were you given any materials with respect to how the company went about its marketing activities?

MR. BEACH: I believe it's June of '84.

Q. I apologize if I misstated the year.

A. I know as part of a marketing assistant indoctrination program we went through I believe it was a six-week program, and I think it was called the management development program. And as part of that we had

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presentations by every department, and one of those was the legal department, which thoroughly reviewed all the rules and regulations relating to the marketing of cigarettes.

Q. As part of that six-week indoctrination program did Ms. Burrows ever give a presentation with respect to the topic of younger adult smokers?

A. I don't recall.

Q. Did you receive any information during that six-week training program that dealt in any way on the topic of younger adult smokers?

A. I don't recall that at all.

Q. Do you have any idea as to Ms. Burrows' position at the time that this memo was written?

A. I do not.

Q. Can you tell me as to your understanding of the position of the first person listed on recipients on the left-hand side of the front page?

A. That's Jerry Long.

Q. And what was his position in February of '9 -- '84?

A. I think he was president.

Q. And can you tell me the positions of the other individuals underneath him?

A. I think Marty Orlowsky was head of marketing, and I think the H.J. Lees worked for him I believe.

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Q. Do you have any understanding as to whether in your experience as an R.J.R. Reynolds employee marketing reports are generally transmitted -- marketing research reports are generally transmitted to the president of R.J.R. Reynolds?

MR. BEACH: Objection to the form of the question, calls for speculation.

MR. CASSIDY: Again, I'm asking if he has any understanding. If he has none, then he has none.

MR. BEACH: Well, you don't -- I reiterate my objection.

MR. CASSIDY: Okay.

A. I'm sorry. You're going to have to repeat the question.

Q. Do you have any understanding as an employee of R.J.R. Reynolds as to whether research reports from the marketing department were regularly forwarded to the president of R.J.R. Reynolds?

A. I don't know that. They may have. I don't know.

Q. Have you personally prepared any reports in your tenure as an employee of R.J.R. Reynolds that listed as the first recipient the president of the company?

A. Yes, I have.

Q. And how many such reports? Do you have any idea?

A. No, I do not, but I have done it in more than

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reports. What my role would be is presentations. I have given numerous presentations to the president of the company, but on a few occasions I have written memos.

Q. And when you wrote the those memos to the president of the company, did you seek to have accurate information used within your memorandum?

A. Yes.

Q. Did you make sure that you checked your sources, if you relied upon any sources?

A. I made sure I was reporting what I believed to be the facts.

Q. Okay. Ms. Burrows eventually was a co-employee or coworker of yours in the Camel brands unit; is that correct?

A. Uh-huh. That's right.

Q. Why don't we look at page number 2 of this memorandum, and it's more than two pages into the memorandum.

A. Roman numeral two?

Q. I'm looking at the bottom of the page. The internal pagination two. If you look at the bates number, which is the number on the right-hand side, the last four numbers are 8471.

A. Okay.

Q. Can you identify the title of this section of the

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memorandum?

A. The Importance of Younger Adult Smokers.

Q. Okay. Then can you look to the first point on number one, what does that say?

A. Volume.

Q. Can you read please the first sentence through the two bullets points that are listed there.

MR. BEACH: Before you do that, Mr. Leary, I'd like to have a continuing objection to questions about a document that you have already had the witness testify he has no personal knowledge about.

MR. CASSIDY: I don't know if he quite testified that extremely, but I'm fine to note your continuing objection.

A. What do you want me to do, read?

Q. Yeah, just through the second bullet point.

A. Under one volume.

Q. Yes.

A. "Young to adult smokers are the only source of replacement smokers. Repeated government studies (Appendix B) have shown that: Less than one-third of smokers (31%) start after the age 18, only 5 percent of smokers start after age 24."

Q. Have you ever heard the term before replacement smokers?

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A. I have heard that term used in the press. I have never in my experience at R.J. Reynolds over the past fourteen years in the marketing department heard any discussion of replacement smokers.

Q. Well, in terms of your understanding of that term as used in the press, what is your understanding?

A. I think it's the same points that you were speaking to earlier about how do you build -- I mean, the representation is made that unless you go get smokers under the legal age, that your business is going to decline. And as I have spoken at length about, 45 million adults smoke, it is a quarter of the population, there's plenty of adults smoking and there's plenty of business opportunity for me to concentrate on. I've never spent one second of time worrying about, thinking about, brainstorming, developing plans about how do I attract smokers under the legal age. So that's why I'm not very familiar with the term. I've seen it in the press, but I don't spend any time with that.

Q. Okay. From your knowledge of seeing the term as used in the popular media, do you have any further understanding as to who these replacement smokers actually are?

A. No.

Q. Or who they would actually be replacing?

A. No. I mean, I understand the concept of this

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person no longer smokes, you have to have someone else smoke, but that's a concept that I have never acted on or spent any time thinking about. The reason is my job and my days is completely filled by trying to convince adult smokers of other brands to switch to my brand, so -- and there's 45 million adults that smoke, it's plenty of challenge right there.

Q. Do you understand in terms of the concept of replacement smokers that it also includes the number of people that die from smoking-related diseases each year, in addition to the number of quitters?

A. I'm not that familiar with the term, but I suppose it could include that. I don't know. I don't use the term. I don't think about the term. I'm not that familiar with it.

Q. Okay. Have you ever received any information as an employee of R.J.R. Reynolds that approximately one-third of smokers start after the age of 18, or phrased in the reverse, two-thirds of smokers start under the age of 18?

A. No.

Q. Have you ever received any information in any form whatsoever as an employee of R.J.R. Reynolds that only 5 percent of smokers start after the age of 24?

A. No.

Q. Just by looking at these two figures, what does

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it mean with respect to the number of people that are starting under the age of 18?

A. I'm sorry. Can you repeat the question?

Q. If less than one-third of smokers start after the age of 18, what percentage of smokers start under the age of 18?

A. I don't know. You're dealing in an area that I don't have any -- it's an area that I don't deal in. And I have spoken several times to what I do and it's a completely foreign area to me that I would have to sit down and think through what it is you're -- the point you're trying to make. The point I'm trying to make is you're talking to somebody that has spent most of my career talking to adult smokers, and that's what I'm familiar with.

Q. Okay. Let's take this out of the context of smokers. If -- And let's look at United States Senate, there's 100 senators. If 31 -- If all senators are present and all senators vote, and if 31 vote for the bill, how many voted against the bill, and assume no one has abstained?

A. Are you asking me what is 100 minus 31?

Q. Yes.

A. I believe that number is 69.

Q. Okay. So going back though to the statement, and

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again I'm not asking, you know, based upon whether you have any understanding as to teenage smoking rates, but if we analyzed the statement less than one-third of smokers start after the age of 18, how many smokers must have started prior to the age of 18 in percentage terms?

A. I don't know. You're in an area that I don't -- I don't deal with at all. And you know, you've got some words in here, less than one-third of smokers start. What do you mean by start? I mean, I don't know. I don't know what the dynamics of starting smoking are. What I can tell you is that we deal with 21 plus smokers. There's 45 million of them out there, and that's what I do. And I'm really not prepared to analyze --

Q. Okay. Well, --

A. -- what she -- she was putting forth here.

Q. Well, we do know what she's referring to, correct?

A. I don't know what she was referring to.

Q. Doesn't the memo say repeated government studies and refers us to Appendix B? Why don't we go to Appendix B, which is -- it's fairly far into the memo now, and the bates number on the lower right-hand corner, just the last four digits, is 8526.

MR. BEACH: Mr. Cassidy, obviously this is your time, this is your day, but you are -- a fair warning that

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this is -- these kinds of questions are supplying quotes for a protective order that I am going to look for in the very near future. You have spent at least fifteen or twenty minutes asking this gentleman about this document that he has already told you he doesn't have any knowledge about. You're asking him to construe a document which speaks for itself. You're asking him to talk about statistics he has told you at length he doesn't know anything about. This is a waste of his time, it's a waste of my time, it's a waste of your time.

MR. CASSIDY: Well, thank you for giving me commentary on how I should conduct my deposition, and thank you for your speaking objection also.

Q. Have you gone to Appendix B?

A. Yes.

Q. Why don't you take a look at it for a second? Looking at the middle and very bottom of the page, does this appendix identify sources for the data that's listed here?

A. Are you referring -- Yes, in two places I see the word sources.

Q. And what is the source of that data?

A. The first one says average of HEW data reported in the adult use of tobacco 1970 and 1975. The second source says HEW changes in cigarette smoking habits 1955 to

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'66.

Q. Do you have an understanding as to what the term HEW refers to?

A. That's a government agency. I can't recall what that acronym is.

Q. Okay. Let's put this exhibit to the side.

MR. CASSIDY: Why don't we take a break now because I realize I have only one copy of this, and you'll want to look at this as I question the witness.

VIDEOGRAPHER: We're going off the record at 3:04 p.m.

(There was a break taken.)

VIDEOGRAPHER: We're back on the record at 3:15 p.m.

MR. CASSIDY: I'd like the court reporter to mark this as the next exhibit a matter that was already used as an exhibit with Ms. Creighton yesterday, and that's why there's an exhibit number on it.

(Exhibit #9 marked for identification.)

Q. And Mr. Leary, taking a look at what's been marked as Exhibit #9, can you identify the topic of this exhibit?

A. "White paper" On Camel Advertising Development.

Q. Have you ever previously seen either the cover memo here, or if you go to the next page, the white paper

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itself with respect to Camel advertising?

A. I don't know. I can't recall.

Q. Are you familiar with the term white paper?

A. Not really. It's a term I haven't heard used in the course of my work there much, but I've heard white paper.

Q. Well, in the course of your work there, are white papers often produced or not?

A. Not to my knowledge.

Q. Okay. Do you have any knowledge as to who Mr. J.R. Wiehebrenner was in 1987?

A. Yes.

Q. And what was his role?

A. I think he was head of marketing.

Q. So does Ms. Beasley presently occupy the role that Mr. Wiehebrenner had in 1987?

A. Ms. Beasley is in charge of marketing. Again, I don't know what the structural top of -- I can't remember on top of him was at that point, or whether her reporting relationship is similar to it. He was in charge of marketing as I recall, and she is in charge of marketing now.

Q. Okay. But he was a senior executive with the company in 1987; is that a fair characterization?

A. Yes.

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Q. Why don't we turn into the document itself, and let's go to what's -- of the white paper what's been marked -- or what's stated as page one at the bottom, and on the bates number the last four numbers are 8602. Do you recognize what is the first point that's identified in this memorandum, or can you state what is the first point identified in this memorandum?

A. It's importance of younger adult smokers.

Q. Could you please read the first bullet point that's listed there in this memorandum.

A. Only about --

MR. BEACH: I'm sorry. Excuse me for a second. Can I, Mr. Cassidy, have a continuing objection to questions about this document?

MR. CASSIDY: Are there -- What's the basis of the objection, so we're clear?

MR. BEACH: Foundation.

MR. CASSIDY: Okay.

A. Only about 5 percent of all smokers start smoking after the age of 24 years old.

Q. Have you, aside from today, ever seen reference in any R.J.R. Reynolds document to the statement or substantially similar to that only about 5 percent of all smokers start smoking after the age of 24 years old?

A. I don't recall discussion or documentation of

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that fact. I may have been exposed to this memo, but I don't -- I don't recall.

Q. You don't recall this memo, that's correct?

A. I don't -- I don't remember this memo. It's not to say I wasn't exposed to it. I don't recall it. And your question of have I seen this figure 5 percent of all smokers start smoking after the age of 24, I don't -- I don't recall that.

Q. So that we're clear, I'm not -- that latter question wasn't with respect to just this memo, but just that statement made in any document by R.J.R. Reynolds Tobacco Company that's -- in terms of your knowledge sitting here today?

A. I don't recall it. That's not to say that it wasn't circulated in other documents, but I don't recall it. And I certainly don't recall any discussion of -- or any discussion of when people start smoking and how do we get people to start smoking. As I have said before, when I started and even before I started on Camel, and all we were focused on was talking the adult smokers 18 years of age or older, and that's all we did. And I never had any discussions of people starting to smoke.

Q. Not focusing on either of these documents for the moment, was a common knowledge in the tobacco industry in the 1980s that two-thirds of all smokers start smoking

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before the age of 18, and only 5 percent started after the age of 24?

MR. BEACH: Objection to the form of the question, calls for speculation.

Q. Do you have any awareness as to whether there was common knowledge as to that?

A. No, I do not.

Q. Was there any awareness of the statement that I just made in R.J.R. Reynolds Tobacco Company in the 1980s?

MR. BEACH: Same objection.

A. I don't know what the awareness was of this statement.

Q. Did you have any personal awareness in the 1980s that two-thirds of all smokers start smoking by the age of 18, and only 5 percent start after the age of 24?

MR. BEACH: Objection, assumes facts not in evidence, asked and answered.

MR. CASSIDY: I think we have discussed the factual basis for this already.

A. Is your question did I have knowledge of this?

Q. Of this statistical relationship of two-thirds of all smokers start smoking before the age of 18, and only one-third start after the age of 24.

MR. BEACH: Same two objections.

A. No, I don't have any knowledge of those facts.

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Q. Did you gain any such knowledge of those facts in the 1990s, and take that from January 1st, 1990 until today?

MR. BEACH: Objection again to form of the question, assumes facts not in evidence.

MR. CASSIDY: Well, let's --

A. All I can reiterate, which I've done several times, is what I have done since I came to work with this company, and that's talk and try and market cigarettes to the adult smokers, 45 million in this country, and that's all I have done. There may be documents like this. I may of seen some in the course of my business, but that's what I do.

Q. You may have seen some in the course of your business, but unless I show you a specific document, you're saying you do not have any specific recall; is that correct?

A. I do not have any specific recollection of facts, theories, figures about smoking trends.

Q. Okay. Let's go down to the final bullet point here under the importance of younger adult smokers, and it states "Marlboro, which has 55 percent of 18 to 24 year old smokers, and 75 percent of nonmenthol 18 to 24 year old smokers, grows approximately one percent total market share points every year due to gains among younger adult

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smokers." Did you have knowledge as to that statement in the 1980s?

A. I'm aware that Marlboro is very popular among adult smokers 18 to 24, as well as a huge popularity among every age group of smokers, but I am aware that Marlboro has been and continues to be extremely popular among adults 18 to 24 years of age that smoke.

Q. And specifically are you aware that it's popularity amongst 18 to 24 year olds was such that that contributed to a 1 percent total market share point every year due to gains amongst those 18 to 24 year olds?

A. I am aware of the fact that Marlboro is very popular among 18 to 24 year old adults that smoke, and that that contributes to their market share. I can't recall the exact figure of did you know that it was 1 share point. I don't know what the figure is and I'm not sure that this is a figure. What I do know, because we track our business among adult smokers, is that Marlboro is very popular among, say, that group of adult smokers, and it contributes significantly to their business.

Q. Well, do you have any understanding as to the percentage of 18 to 24 year olds that were choosing Marlboro as their brand of choice?

MR. BEACH: Time frame?

Q. In the 1980s.

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A. I can't recall the numbers in the 1980s. My general knowledge of the fact now is that -- I'm not sure of what the figure is, but they are a-third of the total market, at least that portion of 18 to 24 choose Marlboro.

Q. Well, you've -- are you aware that it's a popular brand amongst 18 to 24 year olds?

A. Yes. As I have said, they're very popular among that group. In fact, I think they're probably -- that's one of the more popular age groups of adult smokers that choose Marlboro is 18 to 24, but they're popular among every group of adults.

Q. Are you aware that the popularity of Marlboro amongst 18 to 24 year olds is greater than the percentage of 18 plus smokers who smoke Marlboro?

A. I am aware that it's one of the -- that they're very popular among 18 to 24 year old adults.

Q. Are you aware that the popularity of Marlboro amongst 18 to 24 year olds is more than two times greater than the popularity of Marlboro amongst all 18 plus smokers?

A. I'm not aware of the facts, but I believe that it's a very popular brand among 18 to 24 year old adults that smoke, so.

Q. And I'm not asking you to give me a specific number. I'm just asking about a two times increase.

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A. It's about a 35 share brand, two times is 70. I don't know that to be the case. What I do know is it's a very popular brand among adults 18 to 24 years of age that smoke, and it's one of the most popular -- one of the most -- They're very popular amongst that group. It's one of the most popular brands among adults of that age.

Q. Okay. Let's go up one more bullet point and just look at the first sentence. Quote, "The aging of younger adult smokers combined with their brand loyalty guarantees the growth of a brand for decades." Looking at that statement today, do you agree or disagree with that statement?

A. I don't believe anything guarantees the growth of any brand for any extended period of time.

Q. Do you think there's any relationship between the number of individuals within the age range of 18 to 24 that develop brand loyalty for -- a relationship between that number and the future growth of that particular brand?

A. On age groups of adult smokers I believe that it's important for a brand to have a broad profile of adults choosing your brand. No brand can survive in any category or in the cigarette industry if the only adults that choose it are of one particular group, particularly, you know, older, younger. So it's important to have smokers, adult smokers, of all age groups choose the brand

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for vitality over time. And an example of that is, you know, "This is not your father's Oldsmobile," which was exactly designed to say it's not just people 50 years of age or older that buy an Oldsmobile.

So one of the jobs that I have is to make sure that brand's business among adult smokers is fairly represented across a wide age group, and if you were to say that a cigarette brand or any brand had minimal 18 to 34 year old adults choosing that brand, that is not a good sign for vitality over time. So in general I agree with that statement that I just made.

Q. The brand might not survive over time if it's skewed so far away from 18 to 31 year olds?

A. 18 to 34, but yes, it is in the best interest of any brand, and as we're talking about cigarettes, to have the brand popular among a broad spectrum of adult smokers, otherwise it's problematic.

Q. What does the word aging mean in terms of this memo? Or I'm sorry. Let's get away from this memo. Do you have an understanding of this word aging as it's used in marketing discussions within R.J.R. Reynolds?

A. Well, aging means just what it says, it's getting older. And if you were to talk about a brand profile of adult smokers aging, you might be looking at a situation that we just described where the brand's appeal among adult

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smokers is limited to one particular age group and does not have a broad base of appeal among adult smokers. And as a result you could see a brand's franchise age. That is, in fact, -- You can see that in any number of brands. Winston is an example of a brand's franchise aging. And I would argue to the point we made earlier, though I know next to nothing about automobile marketing --,

WITNESS: Yeah, I'd like one of those.

A. -- is exactly what was going on with Oldsmobile.

Q. Well, what's the problem with aging if your market, as you made in reference to Oldsmobile, is 55 and older?

A. Because you want to have a brand that is broadly appealing.

Q. Well, if every one of your consumers is 55 and older and you don't get younger consumers coming into the market, aren't you eventually going to have no market to sell to through the death rate of your consumers?

MR. BEACH: Objection to the question as speculation.

MR. CASSIDY: We're just talking general marketing principles here, and I'm using the example that the witness gave to me.

MR. BEACH: You don't have to defend your questions with me.

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MR. CASSIDY: Okay. Okay.

A. Again, it is important for any brand to have appeal, and in this case among adult smokers in, you know, in a broad range of age groups, and that's just --

Q. Okay. Have you ever heard of the term dying cigarettes before in reference to the lack of young adult smokers choosing that brand?

A. No.

Q. Okay. This memo here refers to the virile segment if you go up one more bullet point. Do you have an understanding of what the term virile segment means?

MR. BEACH: In the context of this memo or more generally?

MR. CASSIDY: More generally.

A. The virile segment was a term that we used to categorize Camel, Winston, and Marlboro.

Q. And why were Camel, Winston, and Marlboro identified as part of the virile segment?

A. Because their appeal was more masculine among adult smokers as well as the campaigns and the marketing often used with them were more masculine-oriented in a reflection of where their business was.

Q. Have you ever heard the term cool segment, c-o-o-l? Did I put too many O's there? C-o-o-l.

A. No.

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Q. Well, is looking at the virile segment of the market a form of psychographic segmenting that we introduced earlier today?

A. I'm not sure how you would categorize virile segment. It's simply a way to group brands in a consistent type of brand profile, which in this case was more male, and in this case also was often characterized by advertising that reflected that business space among adult smokers being more male and more masculine.

Q. Well, if it's more male, I can understand you referring to it then maybe as gender segmenting, but when you add in the concept of masculinity, aren't we talking about attitudes and likes, and therefore we would also be incorporating concepts of psychographic segmenting?

MR. BEACH: Argumentative.

MR. CASSIDY: It's a long question, but it's a question.

MR. BEACH: I said you don't have to defend your questions to me, Mr. Cassidy. I'm objecting that it's argumentative.

A. It's possible to describe what you mean by masculinity. I can describe that as a gender type segment. I mean, it contains the word masculine. You could argue similar to what we talked about earlier about No Bull being true to yourself, what you see is what you get, reject

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artificiality is a type of attitudinal. You were talking about it as maybe that's a personality. So depending on how you use the term psychographic, I guess you could interpret virile as meaning any number of things. In the case of how we used it, it meant the three primary brands that had more male smokers than other brands and were characterized by masculine imaginary.

Q. Let's move on to the next exhibit.

MR. CASSIDY: Could please mark this.

(Exhibit #10 marked for identification.)

Q. Looking at what has been marked as Exhibit #10, have you ever seen this document before?

A. Yes.

Q. Can you identify this document?

A. It's The Premier of Smooth, Camel Advertising Supplement.

Q. Was this document created in the regular and normal course of business of R.J.R. Reynolds Tobacco Company?

A. Yes.

Q. Can you describe how this document was used in the marketing activities with respect to Camel cigarettes?

A. It was a program and it was an advertising supplement we used to simply dimensionalize the Camel positioning, and in this case focused on Joe Camel. And I

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believe this ran in magazines.

Q. What does dimensionalize the Camel positioning mean?

A. Describe, illustrate.

Q. What was the Camel positioning at this period of time.

A. I think it was a fun -- a fun brand, a somewhat irreverent, entertaining, light-hearted, clever, interesting.

Q. Do you have an idea as to when this supplement was actually put as an insert in magazines?

A. I really can't -- I really can't pin it down. It was between August of '90 and July of '93. I'd have to go back and look.

Q. Okay. Do you know if this was used in multiple magazines over different periods of time?

A. I can't recall. It would not surprise me if it was.

Q. Okay. Why don't we go into this. There is no pagination, so why don't you go into the third page of the exhibit. And we're looking here at Joe's Smooth Philosophy. And specifically I'm looking at his philosophy with respect to dating. It says, quote, "When all else fails, pick up a pack of Camels." Was there an intended message to be conveyed with that statement to a Camel

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smoker or a person who was considering switching to Camel cigarettes?

MR. BEACH: Objection, foundation.

A. It was intended to be a funny statement that was appealing to adult smokers and represented a light-hearted attitude of a fun attitude that Camel portrayed.

Q. Wasn't there also another possible interpretation, that being if one was lonely and without companionship, smoke Camels?

MR. BEACH: Objection, speculation.

Q. Well, aren't all these interpretations, to a degree, speculative?

A. I think an interpretation in and of itself is subjective. Some are reasonable and some aren't.

Q. But aren't you, in terms of advertising a product, attempting to create an imagine of that product in the reader's mind?

A. In the minds of adult smokers we are trying to create an image of a brand.

Q. Okay. Was one of the images that R.J.R. Reynolds was attempting to convey by this statement being if you're lonely and without companionship, smoke Camels?

A. No. And if I can elaborate on that, I can't imagine doing research among adult smokers and finding lonely adult smokers and seeing if this message made sense

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to them. This was a tongue and cheek, light-hearted statement that appealed to -- that was attempting to appeal to adult smokers 18 to 34 years of age, and it simply reflects a more fun attitude.

Q. Well, do you think people at times experience loneliness in their lives?

A. I think loneliness exists.

Q. Okay. Let's go on to Midnight at the Oasis, which is the second to last page. When you were talking about the ads seeking to be clever, is what's occurring in the upper left-hand corner an example of cleverness? And maybe, actually, we should first start with saying why don't you tell me what's occurring in the upper left-hand corner?

A. There's a camel pulling a camel mask off of what looks like a cowboy that apparently is trying to get into this location.

Q. And what's the -- What's occurring with the left-hand of this camel?

A. He's pointing in a direction.

Q. Isn't that the same hand symbol that's used by umpires in baseball to say that someone's out?

A. I think it is. I don't know. I mean, that clearly is spoof on a Marlboro man trying to come to the camel party. It's another light-hearted attempt to being

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humor and clever.

Q. But this is advertising cleverness geared more towards fellow advertisers and Marlboro Tobacco Company than the general 18 year old would pick up on, correct?

MR. BEACH: Objection, speculation, argumentative.

A. This was done under my watch. We went to 18 to 34 year old adult smokers of both Camel and Marlboro and developed this piece, and they found it funny, clever, entertaining, so.

Q. But did you ever ask anyone, by the way, did you notice what was happening in the upper left-hand corner?

A. Yes.

Q. And what did they tell you?

A. Funny.

Q. Did they recognize that you were basically telling the Marlboro camel to -- the Marlboro cowboy to get out of a Camel smoking area?

A. I'm digging way back, but I do recall that that little commentary was appreciated by adult smokers 18 to 24 of Camel and/or Marlboro.

Q. Okay. Let's go to the final page and let's look at the letters here. And let's go down to the third letter from the top. It says -- Oh, I'm sorry. Let's go down to the very final letter. It says "Dear Smooth: I feel it is

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my civic duty to inform you of a rumor about your mascot that has been circulating throughout my community. Apparently, when you turn a picture of Smooth Character upside-down, his face looks just like an upside-down camel who's smoking a cigarette. I know this sounds incredible, but I thought you should know. That is all." What is that really referring to?

A. It's referring to -- It's spoofing things that you could look at it one way or play -- or put in it a mirror that it looks different. In this case she's just laughing that it looks exactly the same way.

Q. Don't you know what I'm referring to here?

A. No, what --

MR. BEACH: Just a second. Don't argue with the witness, Mr. Cassidy. It's improper. You know it. Why don't you just ask a question.

Q. Have you ever heard critics of Joe Camel advertising state that if you turn Joe Camel upside down, it appeared to -- appears as a male penis?

A. I heard criticism from some that -- I don't recall the upside down portion, but I recall some say his face was developed to look like a penis, yes.

Q. And aren't you mocking those critics with that specific letter there in this supplement?

A. Let me speak to that issue. One of the things I

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think we did in that criticism was levied because it would not go away, was we actually went out and shot pictures of camels on a farm and had them side by side by Joe to make the point that Joe looked like a camel. That may have been part of that point of that, because I can't remember when that controversy was, but it may be.

Q. Okay.

MR. CASSIDY: Let's introduce this as the next exhibit. I believe this is Exhibit #11.

(Exhibit #11 marked for identification.)

Q. Looking at what's been labeled Exhibit #11, can you identify the title of this report?

A. Camel Smooth Magazine Day After Recall Study.

Q. Were you one of the recipients of this maga -- of this report?

A. Yes.

Q. Did you have an understanding as to whether this document was created in the regular course of business of R.J.R. Reynolds Tobacco Company?

A. I'm not real clear what you mean by in the regular course of business. What does that mean?

Q. Was it a part of the duties of the person who created this document to issue such reports?

A. Yes.

Q. Okay. Do you have any memory of this document by

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just knowing the title of it, but without having to look at it today?

A. No.

Q. Why don't you take a look into it a little bit. And I'll just direct you to the very first page, and I'm looking at the bottom bullet point that says speaks of the key 18 to 24 male smoker group. Was that the key target group for Joe Camel advertising?

A. I recall the target being 18 to 34, and we divided that between 18 and 24 smokers and 25 to 34 smokers. I'm not sure what Teresa Faggert meant when she wrote that.

MR. BEACH: Do you need to take some time to refresh your recollection with this document? Why don't you take a few minutes and just look through it before he asks you additional questions about it.

A. Okay.

Q. Okay. Well, does looking at the title of this report and then also the date of the report that was just listed here as January 21st, 1991 refresh your recollection of when the previous exhibit of the Camel Smooth character was run in magazines in America?

A. It was definitely before this report. I was looking to see if they said when it actually ran. I don't see that.

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Q. I'm not ask -- I don't see any reference within the report myself.

A. It ran in 1990, then apparently sometime, maybe second half.

Q. Okay. What is this report?

A. This is, as is it says, a day after recall study. It talked to adult smokers 18 to 34 about that their perceptions of this insert, did they remember it, what did they remember, and what did they think of it. And --

Q. Is it a tool used in marketing, to do such a study then have a report?

A. Is it a tool?

Q. Uh-huh.

A. It's something we did and it's --

Q. And what was the purpose of the report then and this activity?

A. To measure whether people saw the magazine insert, whether they remembered the magazine insert, whether they -- I mean, everyone is -- Whether they liked it, what did they think it said, what did they dislike about it, what articles do you recall, on and on, to assess whether this was a program that created positive perceptions among adult smokers, in this case 18 to 34.

Q. That's looking at, so to speak, what occurred in the past. Is this report also designed to give you

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guidance as to what you should do with future marketing activities?

A. Well, yes, given that it assesses these -- how that was received by adult smokers 18 to 34, you would use that to make a decision as to whether or not you wanted to continue to do something like this.

Q. Okay. Let's go to bates number 5621, and the title of this particular page is Summary of Idea Communication. And I'm looking at the bottom column that says reference to Camel user. What's a Camel user, or maybe more appropriately who is a Camel user?

MR. BEACH: In the context of this document?

MR. CASSIDY: Yeah, as it was being used in 1991.

A. To be honest, I'm not sure what they mean there, unless it's simply referring to what does it say about Camel smokers. What does it say -- You know, I don't know. I'd have to sit down and look at how are these questions phrased. This looks like it was open-end, which means that they simply volunteered -- the adult smokers volunteered what they thought and a research person attempted to tabulate that in a way that you could count the answers.

Q. Well, talking now more about just market activities of Joe Camel and the Camel brand in the early 1990s, were you attempting to create the image in the mind of Camel smokers and competitive brand smokers that the

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person who uses Camel is someone who's cool, someone who has a sense of humor, someone everyone likes to be around?

A. As I mentioned earlier, we were trying to create the perception of Camel as a fun, clever, light-hearted brand. And in scanning through here, there were -- I was reading just that, that people were -- adult smokers were volunteering that they thought it was clever, it was entertaining, it was fun, and that is what we were -- It was clever and quite entertaining, 79 percent of 18 to 24 adult smokers, 76 percent of 25 to 34 year old smokers, so that's what we were trying to do.

Q. Okay. And amongst those attributes that you were trying to create in the mind of a smoker were additional attributes that Camel was smoked by cool people, that it was -- by people with a sense of humor, by people, you know, that are popular?

MR. BEACH: Objection. First of all, Counsel is testifying. Second of all, you're mischaracterizing his prior testimony. Third of all, this was asked and answered twice.

Q. Do you understand my question?

A. Your question is what were you trying to accomplish with Smooth Magazine? We were trying to describe the Camel positioning as light-hearted, irreverent, fun, clever. And I see all those throughout

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this. I also see where she -- this person wrote down cool. That was not a part or a word that I recall using to describe the Camel positioning. This, again, is open-end, which means the adult smoker could say whatever they wanted and a researcher tabulated it. To find out what we wanted to communicate, there are questions in here that we crafted the agree, disagree statements, and those are exactly what we were looking for.

Q. Why don't you tell me which page you're looking on.

A. On 5628. Or -- Yeah, start there, the Camel Smooth Magazine is original, we want it to be unique. Was it clever and entertaining? That's what we wanted. The Camel Smooth Mag -- well, there's unique again. It's saying original and unique. The kind of ad I would stop and look at. Are you with me, 5628?

Q. Yeah.

A. So those were the kind of things. And if I can just mention on 5626, which is two pages before, it speaks to the cigarettes have a smooth taste, they're high quality, or a brand my friend would smoke, or for people who know how to have fun, or for someone who could be one of my friends, or for someone who is outrageous, which I guess you could argue part of that insert was a little outrageous. But that's what we were trying to accomplish,

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and in looking back at these numbers, I think it worked.

Q. Okay. Well, looking at the page that you were directing me towards, 5626, as I look at those -- let's see, it's six questions. The first two relate to the product, and the remaining four relate to the image of the product. Is that a correct characterization or not?

A. I would say the third one could go either way, or a brand my friends would smoke. That can refer to, you know, this is a cigarette your friends would like. But two or three of them are related to product and three of them are related to the image of the brand.

Q. Okay. Well, then let's look at one of the ones that you identified as related to the image of the brand. And that question, and the first one here, and that would be are for people who know how to have fun. Was that one of the elements of the positioning that you wanted to put forward with Camel?

A. Fun, yes.

Q. Okay. Do you think people who know how to have fun are also cool?

A. I don't know the answer to that.

Q. Okay. Let's go towards the last part of this memo, and I'm looking at 5631. And what was the question that you were asking the members of the test group here?

A. Now we're -- This is a little unusual. Every

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research has a little bit different twist to what you're trying to get at. It appears, given the question at the top, is we asked adult smokers 18 to 34 what do you think the next issue of Smooth Magazine will feature? We were simply looking for what was on their mind, did they think this was thought of as perhaps an ongoing publication.

Q. Okay. And is one of the responses that you got beach scene, party on the beach?

A. Apparently 1.9 percent of the adult smokers talked to here thought there might be a beach scene.

Q. But when we look at that 1.9 percent figure, isn't there a substantial number of 18 to 24 year olds favoring that answer --

A. Well, if you look at the --

Q. -- compared to the number of 25 to 34 year olds that favored that --

MR. BEACH: Objection to the form of the question on the grounds that Counsel is testifying. The document speaks for itself as to the results reflected in the document.

Q. Okay. What's the number of 18 to 24 year olds that thought the next issue of Smooth Magazine would feature?

A. I'm sorry. What number of 18 to 24 year olds thought the next issue of Smooth Magazine would feature

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what? Anything? Something?

Q. No. No. I'm looking --

A. Half of them thought it would feature something. 7 percent thought it would feature nothing.

Q. Again, I'm looking at --

A. You're down here at scene/setting. Okay. Whatever 4.4 percent of 50 is. 10 percent I think is 5, so two-and-a-half 18 to 24 year olds thought it would feature a beach scene, as opposed to .6 25 to 34 year olds.

Q. Is there a substantial difference between 4.4 and .6?

A. I do not know. I don't have a statistical significance in here. I don't know.

Q. Well, if you were selling a cigarette that had a 4.4 percent share of the market, and you had another cigarette that was selling a .6 percent share of the market, would you consider the cigarette that was selling 4.4 to be substantially greater in sales than the one that was .6?

MR. BEACH: I object to the form of the question on the grounds that you're mischaracterizing this document. The sample size of the two groups is clearly different.

MR. CASSIDY: Are you now testifying?

MR. BEACH: No, I'm objecting to your mischaracterization of the document.

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Q. If you can't answer the question, just --

A. Four point -- if you want to say -- If the question is is a 4.4 share significantly greater than a .6 share, if you're talking total share of the market of the cigarette industry, the answer is yes, a 4.4 share of total smokers in this instance with this sample size. But even so, there were four 18 to 24 year old adult smokers that thought that the next issue might have a beach scene is exactly what this says.

Q. Okay. Well, let's go to the next page then, please.

A. Uh-huh.

Q. And what was the question that was asked as identified on this page?

A. What would you like to see in the next issue of Smooth Magazine?

Q. What response was rated the highest among 18 to 24 year olds?

A. Would like to see something.

Q. And then what was the second?

A. Don't know.

Q. But amongst the people that would like to see something, what was that their setting or scene that was favored the most?

A. Let's see. Looks like how they tabulated this,

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women, pretty women was the number one.

Q. Okay. And what was number two?

A. Looks like it was -- Well, now hold on here. I don't know whether these are additive or coming off the total, whether the 5 percent is of the 14.9. I'd have to figure that out. I mean, it looks to me like there were 2 to 5 percent of every 18 to 24 that answered that picked one of these categories, so you know, they're picking -- I think they volunteered all these. I'm not sure.

Q. Okay. Well, looking at just the category of scene and setting, what were the top two favorites within that category?

A. Women, pretty women, and beach scene.

Q. Okay. Was a camel --

A. Again, you're talking about probably four members mentioned it versus two people mentioned it.

Q. Okay. Okay. Well, with respect to Exhibit #10, the magazine insert itself, was there any commentary ever made concerning any of the magazines that that -- and particular editions of those magazines that that insert ran in?

A. There was -- There must have been discussion because there was planning in order to put them in those magazines, so.

Q. And when you plan to put a supplement in a

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magazine, do you sometimes know what that topic of that magazine will be about? For example, Sports Illustrated College Football Preview.

A. Sometimes.

Q. Other times you don't, right?

A. Right.

Q. Okay. But after the Joe Camel supplement ran in the latter part of 1990, was there any commentary with respect to any magazine -- particular magazine in which that supplement ran, negative or positive commentary?

A. I do not recall.

Q. Okay. What topic do you think interests teenagers more than anything else?

MR. BEACH: Objection, speculation.

A. I have no idea.

Q. What's the physiological development that characterizes the teenage period of development?

MR. BEACH: Objection to the form of the question.

A. I don't know.

Q. What's the difference between a child and adult in terms of their reproductive cycle?

MR. BEACH: Objection to the form of the question.

A. I don't know.

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Q. Can a child procreate as opposed to an adult?

MR. BEACH: Objection to the form of the question.

A. At some age. I mean, clearly during the course of maturing, women can have babies. Are you asking --

Q. And when does that possibility first occur?

A. I have no idea.

Q. Does that possibility first occur during the teenage years?

A. I do not know. I do not know. I think that varies by all kinds of issues. I don't know. You're truly in an area I don't know the answer to. I can talk to you about the marketing of cigarettes at Reynolds. I don't know this area.

Q. Are teenagers more interested in sex than any other topic?

A. That I do not know either. That strikes me as -- As an adult it's an interesting area, but I can't tell you about differences.

Q. Do you think that being attractive to the opposite sex is one of the highest values that a teenager has?

A. I do not.

MR. CASSIDY: Okay. Can we mark this as the next exhibit, please?

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MR. BEACH: Are you going to enlighten us, Steve, or are you just going to keep all these open issues?

MR. CASSIDY: Enlightenment is coming.

(Exhibit #12 marked for identification.)

Q. What's the cover article of this edition of People magazine on?

A. Teens and Sex.

Q. Could you please open the magazine and tell me whether the Smooth Character Magazine is found within this?

A. Apparently it is.

Q. Was there ever any commentary at R.J.R. Reynolds about the fact that this Joe Camel Smooth Character was placed in an edition of People magazine that had the cover article Teens and Sex?

A. I don't recall any.

MR. CASSIDY: Okay. Let's move on to the next exhibit.

MR. BEACH: This is maybe your copy, Steve. It's got some highlighting on it.

MR. CASSIDY: Okay. Excuse me.

(Exhibit #13 marked for identification.)

Q. Could you please identify what has been marked as Exhibit #13?

A. It's three pages of photocopy with the headline of "Bored? Lonely? Restless?"

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Q. Well, was this actually another edition of a Joe Camel Smooth Character supplement?

A. It may have been. This was something that was done I believe -- before my time I believe.

Q. Okay. Would you characterize -- Actually, do you have any knowledge as to when this was, and if it was, produced?

A. I think it was produced, and I think it was before my time. So sometime in the late '80s -- '80s.

Q. Okay. You don't think this was produced after the date of the previous document that was on the communications report with respect to the original Smooth Character Magazine, and I believe that date was January of '91?

A. I know this wasn't produced -- did you say prior to or after?

Q. After.

A. I know this was not produced.

Q. How do you know that?

A. Because this was a program that I did, Smooth Character, this was not.

Q. Was this not a further development of Smooth Character?

A. No.

Q. And how do you know that?

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A. Because this was produced when I was in charge of Camel. This was produced before I believe.

Q. What's the title on the second page of this exhibit?

A. Camel Smooth Character, Smooth Moves.

Q. Would you classify the woman on the first page of this exhibit as a pretty women?

A. In my personal opinion is that an attractive woman?

Q. Yes.

A. Based on this black and white copy, she looks attractive.

Q. Why do you think or do you have any knowledge as to why Camel was asking the reading public if they were bored, lonely, and restless?

MR. BEACH: Objection, foundation and its lack thereof.

Q. What is the question that -- What are the three questions that are posed at the beginning of this exhibit?

A. "Bored? Lonely? Restless?"

Q. Okay. Why was those three questions -- Why were those three questions used in a Camel advertisement?

A. I have no idea.

Q. Looking at this advertisement, what does it imply one should do if one is bored, lonely, and restless?

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MR. BEACH: Objection, speculation.

Q. Well, you're involved in the marketing. Was there any intent to lead the reader after these three questions into the second page of this document?

MR. BEACH: Same objection.

A. I was not involved in this, and I really can't speak to what it was designed to do.

Q. Okay. Well, can you tell me just as someone experienced at R.J.R. Reynolds that did work at one time on Camel and now is in charge of a whole brand of cigarettes as to what you believe the reader should do after those three questions?

A. No.

Q. Would you agree as a general principle that if, on the first page of an insert, you would like the reader then to advance to the second page of the insert?

A. I would agree with that, that consecutive pages are designed to be.

Q. And would you agree that you would want the reader to actually read all three pages of your insert, if there was a three-page insert?

A. Yes.

Q. Okay. Well, let's look at page two of the insert then under smooth move number 334. What is the first smooth move that's identified?

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A. Run into the water, grab someone, drag her back to the shore, if you've saved her from drowning, the more she kicks and screams, the better.

Q. Okay. Again, it wasn't if you saved her from drowning, it was as if you saved her from drowning.

A. I'm sorry. Let me speak to this since I see where you're headed here. This issue, you may or may not know, was raised at the Congressional level with Jim Johnston. He apologized for the company. The company's point of view was this was totally out of line. We instituted right after that an advertising review panel which is made up of employees of various age groups, with various family sizes, of various backgrounds, in a specific attempt to avoid ever running anything like this again. And so rather than me sit here and try and defend it, this was not done -- I was not involved in this. I do recall clearly that this was brought up in a Congressional hearing and the president of the company apologized for it and gave his word that it would never happen again. And so the company moved quickly to address what it thought was out of line for this company to be doing.

Q. What was specifically wrong with this advertisement when we look at all three pages?

A. Well, specifically speaking to the point you raised on -- At the time I think that the feeling was, and

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I agree, that grabbing people from the water and having them pretend like they're drowning and you're dragging them out, particularly a male doing that with a female, which I think is what this -- Actually, this -- No, it says her, is just -- It's not appropriate.

Q. What do you -- How would you characterize her facial expression of the woman that's being dragged?

A. I can't really see it clear enough with this copy.

Q. It doesn't look like she's screaming?

A. It could. It's real rough. Again, the company recognized this in front of Congress as something that should not have happened, and we took steps immediately to correct that.

Q. Have you ever heard of this referred to as the Camel -- as the Joe Camel beach rape scene?

A. No. I've heard to it referred to as bored, lonely, and restless.

Q. Was there ever an apology for asking smokers if they were bored, lonely, and restless, or was the apology limited only to the scene that we have been discussing right here under number 334?

A. I don't recall what else was done. I do recall specifically action taken on this.

Q. Do you find it offensive to ask individuals with

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respect to a cigarette advertisement if they're bored, lonely, and restless?

MR. BEACH: Steve, haven't we like covered this enough?

MR. CASSIDY: This is my last question.

A. Do I find it offensive to do an advertisement for adult smokers that includes the words bored, lonely, and restless?

Q. As question marks.

A. No.

MR. BEACH: If we're going to move into a new area, can we take a little short break? We've been going about an hour. I'd like to make a request to the court reporter, when you include this exhibit in the -- with the original transcript, I'd like a copy of the entire magazine included with the exhibit, not just the cover page.

MR. CASSIDY: Okay. Let's go off the record.

VIDEOGRAPHER: We're going off the record at 4:17 p.m. This is the end of tape number three.

(There was a break taken.)

VIDEOGRAPHER: We're back on the record at 4:28 p.m. This is the beginning of tape number four.

Q. Mr. Leary, do you understand that you're still under oath?

A. Yes, I do.

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Q. Okay.

MR. CASSIDY: Could the court reporter please mark as the next exhibit the document I've handed her.

(Exhibit #14 marked for identification.)

Q. Have you had a chance the review the document?

A. Uh-huh. Yes.

Q. Mr. Leary, what is the subject of this document?

A. Camel Performance By Age Group.

Q. And what age groups are broken down within this document?

A. The 18 to 24 adult smoker group is segmented by 18 to 20 adult smokers and 21 to 24 adult smokers.

Q. Well, if we look at the next page, what two age groups are shown on this document?

A. The two age groups that comprise the 18 to 24 adult smokers in this census are the 18 to 20 adult smokers and 21 to 24 adult smokers.

Q. Is there any mention within this document of the age group 18 to 24?

A. In the instance of the fact that 18 to 24s are made up of 18 to 20s and 21 to 24s, that is that age group that is contained in this report. It's split 18 to 20 and 21 to 24, but that is the age group that they're talking about.

Q. But have you not combined the two age groups that

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are identified in this document?

A. Yes, the 18 to 20 and 21 to 24 comprise the 18 to 24 group. Yeah, I mean, that's a --

Q. Is there any specific reference within this document to an 18 to 24 age group?

MR. BEACH: Objection to the form of the question, asked and answered, in addition the document obviously speaks for itself, Mr. Cassidy.

Q. Can you answer my question?

A. What age -- What is the group that this document speaks to? It talks about the totality of the 18 to 24 year old adult smoker group, and it segments and reports it on two subgroups within that, 18 to 20 adult smokers and 21 to 24 year old adult smokers.

Q. Was this document addressed to you?

A. Yes, it was.

Q. And who was the author of this document as identified here?

A. J.R. Hribar.

Q. And can you tell me his title at R.J.R. Reynolds at the time?

A. I cannot recall.

Q. Was he a person that worked underneath you?

A. He worked in the research department. He did not work in the marketing department. Well, marketing is part

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of business information, that department has had various names, but he was in marketing research, which did not report to me.

Q. Well, did he regularly submit reports to you, amongst other people?

A. I do not recall him regularly reporting -- sending reports to me. I don't recall him as being someone that I interacted with on Camel performance on a regular basis.

Q. Do you recall receiving reports, as you have identified, on the 18 to 24 year age group that broke that age group down then to 18 to 20 year olds and 21 to 24 year olds, having seen in document?

A. I think that that segmentation could have been done, and obviously it was done in the case of this document.

Q. Was it not done on a monthly basis at least in 1990?

A. I don't recall. It may have. I don't recall.

Q. Was this document created in the regular course of business for R.J.R. Reynolds Tobacco Company?

A. It was done as part of his job.

Q. Okay. Do you think there's anything unique about tracking 18 to 20 year olds in terms of one's ability to have an understanding with respect to smoking rates among

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16 to 17 year olds?

A. I think we were, in this instance, tracking our performance among adults who smoked, 18 to 24 years of age. As I have stated several times, I never spent a minute thinking about or planning or studying anyone under the age of 18. That's all we talked to, and that was what -- that's what has occupied my time.

Q. During your tenure with R.J.R. Reynolds did anyone else that you are aware of spend a minute or a second planning or targeting activities with respect to persons under the age of 18?

A. I don't recall ever being exposed to that.

MR. CASSIDY: Okay. Let's mark the next document, please, as Exhibit #15.

(Exhibit #15 marked for identification.)

Q. Let's go to the cover page, please. Who is identified as the author of this document?

A. John Hribar.

Q. And what is the date of this document?

A. December 31st, 1990.

Q. Are you listed as one of the recipients of this document?

A. I am.

Q. Having seen this document presently, do you have any recall as to whether you saw this document on a

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previous occasion?

A. I don't recall it, but since I'm on the list, I'm sure I received it.

Q. Do you have any recall of whether you received during the year 1990 adult smokers 18 to 24 performance tracking reports, not necessarily the December 30th edition, but just did you receive such reports?

A. I may have.

Q. And the fact that I have now shown you this document, does that at all cause you to believe that you actually did see such documents during the year 1990?

A. Yes, the fact that my name's on here, it appears I got it.

Q. Okay. Was this document prepared in the normal course of business of R.J.R. Reynolds Tobacco Company?

A. I believe so.

Q. Okay. Let's go to what's listed as page 6236 by bates number, and I've read the last four numbers of a bates number.

A. Uh-huh.

Q. What do the tables here show?

A. They show performance by company among the 18 to 24 year old adult smoker group.

Q. Okay. And is the adult smokers group broken into any subdivisions?

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A. Yes, it is.

Q. And what are those subdivisions?

A. 18 to 20 year old adult smokers and 20 to 24 year old adult smokers, as well as by male 18 to 24 adults and female 18 to 24 adult smokers.

Q. And is that -- Are you referring to the November year to date 1990 category?

A. Uh-huh. Yes.

Q. Okay. Let's go over to the next category, which is identified as change versus year 1989. Are the numbers within this figure in percentage terms?

A. I don't know.

Q. Well, I don't know either. But what would be the other possibility that these numbers could be listed as if they were not percentage terms?

A. They could be absolute change.

Q. Okay. But they reflect change one way or the other, correct?

A. Yes.

Q. Okay. How was Camel doing in terms of November year to date change versus the year 1989 within the total number of 18 to 20 year olds?

A. It appears that Camel was gaining something, I'm not sure what these numbers are, among 18 to 24 year old adult smokers.

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Q. It was up 2.6, correct, but we don't know what 2.6 stands for?

A. Among 18 to 24 year old adult smokers it was up 2.0, and among 18 to 20 adult smokers 2.6.

Q. So it was doing better amongst the 18 to 20 year old group than it was -- It was doing better within the 18 to 20 year old group than within the total young adult smoker 18 to 24; is that correct?

A. It would appear from this, yes.

Q. Okay. Was any other cigarette brand as listed in this table here on this particular page doing better than Camel in terms of total number of 18 to 20 year olds?

A. In absolute terms in terms of share of market, Marlboro was, it looks to be, six to seven fold as large, but in terms of change, Camel appears to be -- to have posted the biggest change.

Q. Okay. Let's go back to the previous exhibit, please, Exhibit #14, and if we look on the second page of that. What is the time frame that's described there at the bottom of this graph?

A. That is -- Is that June or -- Oh, January. January of '88 to October of 1990, or maybe November.

Q. Okay. What does this chart show with respect to Camel sales to 18 to 20 year olds commencing in January of 1988 to either October or November of 1990?

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A. This doesn't reflect share of sales. This is what percent of adult smokers 18 to 24, broken down 18 to 20 adult smokers and 21 to 24 adult smokers, that claim that their usual brand of cigarettes that they smoke I believe is Camel. I'm not familiar with the asset term, but share of smoker generally means you talk to an adult smoker and can ask them what brand of cigarettes do they usually smoke. And this --

Q. Would -- I'm sorry. I interrupted you.

A. This graph would indicate that from January of '88 to it looks like August of '90, with several spikes, that Camel's 18 to 20 year old share was relatively flat over that two or three year period, as was 21 to 24. And then it appears that for a period from August to -- of '90 to maybe November of '90 there was some movement in the 18 to 20 year old group, but it appears that the 21 to 24 showed some gains, but it's hard to tell from this.

Q. Well, at the end of this graph is it true that Camel was doing better amongst 18 to 24 year olds than it was among 21 to 24 year olds in percentage terms?

A. It appears that over the course of -- Let's see here.

Q. I'm just focusing in on the --

A. No, I know what you're doing. I'm trying to evaluate accurately what this thing says. Let's see.

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August, September, October, November. It appears over this three-month period that, yes, the 18 to 20 year old adult smoker group was -- it had a higher share among them than the 21 to 24 year old adult smoker group.

Q. And over the entire period of this chart does this not show that the 18 to 20 year share went from a little bit over 2 in January of 1988 to, let's say, approximately 11 by October and November of 1990?

A. Those two points, yes. You can also point in November of 1988 the brand had no 18 to 20 year old adult smokers choosing it, and the next month it had an 8 share. So it's a fairly erratic graph, but those two points, yeah, it appears that there's a great deal of swing in the numbers, that it's up one month, down the next, but --

Q. It fluctuates, correct?

A. (Nods head affirmatively)

Q. But when we look at the start point and the end point there is an increase of possibly 9 percent?

A. If you pick the 2, 2 minus 11 is 9, but there's a great deal of swing in these numbers throughout.

Q. Well, do you have any memory, outside of these charts I've just shown you today, how Camel was doing amongst the 18 to 20 year old smoking segment in 1990?

A. I don't recall the actual numbers. I do know that over the course of when I had the brand, we were

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attempting to broaden Camel's appeal among a broader group of adult smokers. And --

MR. CASSIDY: Now, let me mark as the next exhibit, and I believe this is Exhibit #16.

(Exhibit #16 marked for identification.)

Q. Having looked at Exhibit #16, can you identify who the author was of this exhibit?

A. Scott Cairey.

Q. Can you identify Mr. Cairey's position with R.J.R. Reynolds in 1991?

A. No, I cannot.

Q. Were you one of the authors -- I'm sorry -- one of the recipients of this memorandum?

A. Yes.

Q. Is it your understanding that the memorandum was produced in the regular course of business of R.J.R. Reynolds?

A. I'm not sure I know who -- I recall Scott Cairey, and there's some names on here that I'm not familiar with. I'm not sure -- In this case I don't know him.

Q. Well, at that time wasn't Mr. Blackmer your supervisor?

A. Yes.

Q. And Mr. Weber, was he a senior person with the company at that time also?

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A. Yes.

Q. Okay.

A. Or he was -- he worked in the research department.

Q. Okay. Is it fair to assume that Mr. Cairey also worked in the research department given the nature of this memo?

MR. BEACH: You're asking the witness to speculate. He's already told you that he doesn't know.

MR. CASSIDY: Well, I asked if it was fair.

Q. If it's not fair, tell me it's not fair. If it's a guess, tell me it's a guess.

WITNESS: Excuse me. But there's a big fire over there right there in the middle of downtown. Look at the fire over there with the trucks and everything. You can see the flames on top of that --

COURT REPORTER: Off the record?

MR. BEACH: Yeah, off the record.

VIDEOGRAPHER: We're going off the record at 4:47 p.m.

(There was a break taken.)

VIDEOGRAPHER: We're back on the record at 4:48 p.m.

MR. BEACH: In addition, I note for the record that this document does not appear to bear any Reynolds

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bates numbers.

Q. Do you have an understanding as to what the word Mezzina refers to?

A. I think it refers to Mezzina/Brown, the advertising agency.

Q. Okay. Thank you. Did you receive in 1991 monthly Camel asset flash reports?

A. I cannot recall.

Q. Okay. Why don't we go into what's identified by bates number as 012142.

A. Is this the same document?

Q. Yes, I'm looking at the bates number in the middle of the right-hand page.

A. On the right?

MR. BEACH: Next to the last page.

A. Uh-huh. Yes.

Q. What is the title of this chart?

A. October 1991 Adult Smokers 18 to 24 Share (Weighted).

Q. And within this chart does it list the shares for 18 to 20 year olds?

A. Yes, this chart documents share among the total 18 to 34 adult smoker group, and breaks it down, as well as -- as well as 18 total -- 18 plus adult smokers, and it breaks it down by 18 to 20 adult smokers, 21 to 24 adult

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smokers, 25 to 34 adult smokers, and as I said, total 18 plus adult smokers.

Q. Was the 18 to 20 year old adult smoker market a significant market for you in your marketing activities with R.J.R. Reynolds?

A. The 18 to 34 year old market has been a target that I have used on several brands, 18 to 34 year old adult smokers, and it's been broken down at various points in different ways. The most common one that I recall using was 18 to 24 adult smokers and 25 to 34 adult smokers, but we broke it down a number of ways.

Q. Including 18 to 20 year olds apparently?

A. That's right, 18 to 20 year old adult smokers, we tracked our business among those adult smokers.

Q. Would R.J.R. Reynolds have broken the cigarette market down between 18 to 20 year old smokers if it did not serve a business purpose for R.J.R. Reynolds?

A. We broke it down among different age groups to better understand what was going on with our business among adult smokers of a variety of age groups, and that's one of the age groups we looked at, as well as 25 to 34 and 35 plus.

MR. CASSIDY: Okay. Let's go to the next exhibit.

(Exhibit #17 marked for identification.)

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Q. Have you had a chance the review this document?

A. Yes.

Q. Could you please identify for me the author of this document?

A. Reggie Pasterczyk.

Q. And could you please tell me Mr. Pasterczyk's job title?

A. She's I think been a research manager for -- when she wrote this, and I'm not sure what her title is now.

Q. Is a research manager more senior person than just a researcher?

A. I'm not sure what the various titles are in that department. She's a member of the research department.

Q. Have you ever had any reason to doubt the quality of her work?

A. I've worked with Reggie for quite some time and she's good, but from time to time we have disagreements.

Q. Did you ever have any disagreement with respect to this memorandum that she presented to you?

A. I don't recall.

Q. Okay. Having reviewed this document, do you have any independent memory of this document, aside from obviously just showing it to you right now?

A. I don't recall this specific document. I'm trying to remember the issue that we were looking at here.

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Q. Well, I mean, having reviewed the document, do you have an understanding now as to what issue you were looking at?

A. I don't recall the context of why this was -- why this was written. It's --

Q. Well, --

A. I mean, again, it looks like -- to me like an effort to track how is Camel doing among adult smokers, and she's indicating that the brand is performing well among both younger and older smokers, and that the positioning is appealing to both.

Q. Having reviewed this document, there's nothing that you find disturbing about this document in any way?

A. No.

Q. Okay. But correct me if I'm wrong, it's not examining just Camel, it's also examining two other brands in relation to Camel, correct?

A. Yes, she references Marlboro and Newport.

Q. Well, not only references, but when we look at the graphs, what is the first graph for?

A. The first graph is about Camel.

Q. Okay. And what is the second graph about?

A. The second graph is about Marlboro.

Q. And what is the third graph about?

A. The third graph is about Newport.

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Q. Okay. Did the author produce this document in the regular course of business as an employee of R.J.R. Reynolds?

A. I expect.

Q. Do you have any memory as to whether you requested her to produce this chart and report to you?

A. No, I do not.

Q. Who is Ms. Beasley, who was also listed as the other recipient of this document?

A. My boss.

Q. And she was your boss in 1994?

A. Yes.

Q. And what is her position today?

A. She is the executive vice president of marketing.

Q. Since 1994 have both you and Ms. Beasley advanced up the corporate ladder, so to speak, of R.J.R. Reynolds?

A. She's been promoted since 1994, and so have I.

Q. Is she now on the board of directors of R.J.R. Reynolds Tobacco Company?

A. No, not to my knowledge.

Q. The person who is in charge of marketing is not on the board of directors of R.J.R. Reynolds Tobacco Company?

A. There's not a board of directors for R.J.R. Reynolds -- or R.J. Reynolds Tobacco Company. There's a

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board of directors for R.J.R. Nabisco, and to my knowledge she's not on it. She may be, but not to my knowledge.

Q. When was the board of directors of R.J.R. Tobacco Company dissolved?

A. I have no idea.

Q. Okay. Let's go to the first chart here. Again, I'll ask you in looking at this chart is there anything that appears disturbing to you?

A. No. I'm not sure I understand this chart to be honest with you.

Q. Well, let's ask some questions about it then to figure out your understanding. What is the age range that's depicted on the horizontal line of this chart?

A. Oh, I see. It's looks like the tracking begins at 18.

Q. And I'll again ask my question. What is the age range that's depicted on the horizontal line of this chart?

A. This looks like it goes from zero to over 80.

Q. Is not the zero on the vertical line of the chart with respect to share of smoker?

MR. BEACH: Counselor, you're arguing with the witness. The document speaks for itself, and anybody can sit and look at this document and make their own judgments about it. The witness has already testified he has some confusion as to what this graph is. You're asking him to

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speculate. I object to all these questions. The document speaks for itself.

Q. In looking at this document today, do you believe the age range that's depicted on the horizontal chart starts at age zero or starts at age 10?

A. I'm not sure. I can see the 10 here, but let me just address what I think you're talking about. She's discussing age. She's broken adult smokers share by age. She refers to 18 to 24 throughout the document. If the point you're making is because there's a 10 there, that she's tracking a share of smokers among 10 year olds, it's obvious from every graph on here that the graph starts at 18. So, you know, I can see there's a 10 there. I will stake my career that there is no intent here to measure smokers by the age of 10, which is why every single graph here starts at 18, and which is why every piece of verbiage she speaks to starts at 18. So that's what it is, it's a tracking of share smokers among adults 18 to 24. And the fact that in the computer she lined up the horizontal axis at 10 to 80, there are also no numbers over there -- no tracking at 80, she starts every single graph at 18.

Q. Do you smoke many cig -- Do you sell many cigarettes to persons that are age 80?

A. Well, she's got it out here at 75.

Q. What is the empty space between the data that

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starts at age 18 and goes to age 10?

A. That's space that we have no data for because we -- according to -- I mean, I know the tracking that we've received, that we've done, is my recollection since 1984, this is ten years later, is 18 to 24 adult smokers, 25 to 34, and on up. And what Ms. Pasterczyk has done is track the data beginning at 18, the legal age to buy cigarettes, and on out.

Q. Does each chart show the share of smokers from ages 10 to 80 by cigarette brand for Camel, Marlboro, and Newport, but that the data listed within each chart only represents persons ages 18 to 75?

A. The data that's purported on this chart appears -- I'm not real sure what these graphs do, but she is speaking to something among the various age or by year beginning at 18 and it appears to go to 75.

Q. Well, the years that she identified are listed at the bottom of the chart, correct?

A. There are years at the bottom, uh-huh.

Q. And there's a different line for each year, correct?

A. Yes.

Q. How hard is it to look at this chart and to come to a reasonable idea as to what Camel was doing in the year 1985 with 17 year old smokers?

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A. I have no idea how you would use this chart to do that. This is a report that speaks to the brand's performance among 18 to 24 year old smokers. And she also -- And she speaks to Marlboro and Newport. We talk to 18 year old adult smokers on up through higher age groups. This one refers to 18 to 29. It refers to 18 to 24 year old adult smokers. That's what she was reporting on, and I don't see any implication here that this was designed to give some information as to how the brand is performing among adults under the age of 18.

Q. But do you see an indication of how the brand was performing with 18 year olds from 1985 to 1993?

A. I'll be honest with you, I'm not sure what this means.

Q. Well, let me give you a possibility and tell me if you agree or not. That in 1985 the share of 18 year olds was less than 3 percent, but by 1993 it was approximately 14 percent?

A. Can you repeat your analysis of this? Say that again, please.

Q. Yes, in 1985 the share was approximately 3 percent, by 1993 the share of 18 year old smokers was up to approximately 14 percent for Camel?

MR. BEACH: Objection to the form of the question, calls for speculation.

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A. I do not understand how this chart works.

Q. Okay. Let's go to the Marlboro --

A. I can understand the verbiage that's written here that speaks to 18 to 24 year old adult smokers.

Q. Let's go to the Marlboro chart, please. What is the share of smokers for Marlboro at age 18 in the 1990s?

MR. BEACH: Objection to the form of the question on the same grounds as the prior question. The only thing we've done is change the chart.

MR. CASSIDY: Well, if the witness says he cannot understand this particular chart, let him say so, and I'll move on to the next question.

A. I'm not sure I understand this chart.

Q. Do you have an understanding though that the share of smokers of Marlboro from zero to 75, as depicted on the vertical line, is a larger share of smokers than depicted on the preceding vertical line for Camel cigarettes?

MR. BEACH: Objection to the form of the question. The document speaks for itself and it's being mischaracterized by Counsel in that question.

A. I do not understand how these -- what these graphs purport to show.

Q. Okay. Then do you have any understanding as to respect to the Newport chart that's shown on the final

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page?

A. Not a clear enough understanding to state with confidence that this is exactly what these graphs are showing.

Q. Okay. Let's go back to the first page where it says -- the indented paragraph, "In fact, if you look at the number tables on the diagonal lines (18 year old in 1988 were 19 in 1989 and 20 in 1990)." Can we not look at that statement in reverse and say that a 20 year old in 1990 was a 19 year old in 1989, was an 18 year old in 1988, and then infer in 1987 was a 17 year old?

MR. BEACH: Who's we?

MR. CASSIDY: We, the reader.

A. I would infer from this that what she is talking about is the brand's appeal among adult smokers is growing over time, among those adults that choose to smoke, and that's what it says, and that's what I take from it.

Q. Well, what do you think about the Marlboro share of smokers over time from age 18 to age 75?

A. It appears from what she said that Marlboro and Newport, according to this document, have a higher share among 18 year olds and their -- as they move through time they lose smokers.

Q. Is that your historical understanding of the sales of Marlboro cigarettes in the 1990s, that they do

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better with 18 year olds than they do with persons substantially older, say in their fifties?

A. Well, there's various ways to look at the brand. There are more Marlboro smokers of an older age of adult smokers than there are younger, but in terms of their appeal among a younger segment of -- and their share among a younger segment of adult smokers I think is largest.

Q. Again, I was not speaking in aggregate numbers. I was speaking in percentages, correct?

A. (Nods head affirmatively)

Q. And is it the similar understanding with respect to sales of Newport cigarettes?

A. I'm not sure.

Q. Okay. Do you have any idea as to why this memo addresses only three cigarette brands, and those three cigarette brands are Camel, Marlboro, and Newport?

A. I do not know why she picked these three brands.

Q. Could it possibly be because those three brands were the most popular brands among persons age 12 to 17 in the early 1990s?

MR. BEACH: Objection, call for speculation.

MR. CASSIDY: Could you please enter this as the next exhibit.

(Exhibit #18 marked for identification.)

Q. Have you had a chance to review what's been

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marked as Exhibit #18?

A. I've not reviewed it enough to discuss it. I see what it is, but this would take me quite some time to read and understand.

Q. Well, have you ever seen Exhibit #18 before?

A. No.

Q. Have you ever heard mention of the topic, specifically brand preferences by adolescent smokers?

A. No.

Q. Have you ever heard mention as to what are the three most popular brands of cigarettes for adolescent smokers in America, at least in the 1990s?

A. I've heard mention in press reports, yes.

Q. And do you have a memory as to what brands were mentioned in those press reports?

A. I've heard it said that Camel and Marlboro were popular.

Q. And what was the third brand?

A. I can't remember the third brand. I've heard those brands.

Q. Would you be surprised to learn that it was Newport?

MR. BEACH: Objection to the form of the question, Counsel is testifying, assumes facts not in evidence.

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MR. CASSIDY: Well, I'm trying to trigger a memory here.

Q. Would you be surprised -- If I said that the third brand was Newport, does that cause you to remember?

A. Well, here's what I would say about underage smoking as I have said before, what I know about, because what I have done for fourteen years is talk to adult smokers, and I do not track, read up on, I have no contact with information about anything other than adults over the age of 18, and marketing products to them, and building marketing programs to smokers 21 years of age and older. So I read press reports occasionally, they're not top of the mind with me. I have heard a press report that Camel and Marlboro are popular, but I have no evidence to that effect, that's simply what I have read of others reports.

Q. Well, you might not have talked to anyone under the age of 18 personally, but did researchers in R.J.R. Reynolds marketing department look at the buying habits of persons under the age of 18 during your tenure with R.J.R. Reynolds?

A. Not to my knowledge.

Q. Let's take a look at Exhibit #18 for one second.

MR. BEACH: Do you want him to sit here and read the document now?

MR. CASSIDY: Well, I'm going to read one

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particular sentence and ask him if he has any knowledge as to the statement that's made within the sentence.

Q. I'm looking at the bottom of the first page. It states "Marlboro, Camel, and Newport were" and then it continues on, "frequent -- were the most frequently purchased brands for 86 percent of adolescents. Marlboro was the most commonly purchased brand for both male and female adolescents; the second most commonly purchased brand among males was Camel and among females was Newport." You have no idea as to whether that statement is true or accurate?

A. No.

Q. Do you have any understanding as to how Camel cigarettes did amongst the teenage or the underage market in the early 1980s -- '90s?

A. I have no knowledge of any information about underage sales to smokers under the legal age. What I do is market to adult smokers. For fourteen years that's who I've talked to. We've developed marketing programs to interest them in buying our brands. That's all we -- that I've done any marketing among, and I have no knowledge of what goes on under the legal age.

Q. Okay. Why don't we turn to page 580 of this exhibit. And look at the chart that's listed there, and the first -- in the top part of that chart where it talks

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about adolescent preference. What's the percentage of adolescent's preference for Marlboro as identified in the year 1993?

MR. BEACH: Objection to the form of the question. This document speaks for itself. The witness has already testified he has no knowledge about it. Maybe what we need to do is give Mr. Leary an opportunity to sit and read this document, Mr. Cassidy, if you're asking him to comment on the content of specific tables contained in this document. If you want him to do that, we can certainly take the time to do that.

MR. CASSIDY: I'm asking him to simply read one single number.

MR. BEACH: Mr. Leary, why don't you take some time to read this document. He apparently thinks this is relevant to what he thinks you know about.

Q. I am asking you simply to read the numbers for Marlboro, Camel, and Newport that are listed in percentage terms of adolescent brand preference on the top of page 580.

MR. BEACH: Why don't you read them, Mr. Cassidy? I mean, you're certainly as capable of reading them as Mr. Leary is.

MR. CASSIDY: If you would like me to, I'll be happy to. Marlboro is listed at 60 percent. Camel is

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listed at 13.3 percent. Newport is listed at 12.7 percent.

Q. Now, going back to Exhibit #17, the memorandum to you dated March 21st, 1994, does percentage share of smokers for Camel, Marlboro, and Newport roughly approximate the shares that are listed within the CDC report, and specifically the shares that I just mentioned?

A. Amongst which adult smoker group and which brand?

Q. I'm looking solely at 18 year olds within all three charts for the final year, and that being 1993, of Camel share by age, Newport share by age, and Marlboro share by age.

A. I don't know what it would accomplish. I'm not sure I understand what you're asking, and I'm completely unfamiliar with this.

Q. Okay. If it's not fair to ask you to comment or to correlate the two charts, I won't ask you to then.

MR. CASSIDY: Let's enter into the next exhibit, please.

(Exhibit #19 marked for identification.)

Q. Could you please review this exhibit which has been identified as Exhibit #18. Excuse me. #19.

A. Okay.

Q. Can you please tell me who D.S. Burrows is?

A. That's Diane Burrows I believe.

Q. Was she a senior manager on the Camel brand at

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this point and time?

A. I don't recall.

Q. Okay. But we do know that at one point and time she was a senior brand on the Camel -- senior manager on the Camel brand with you?

A. That's right.

Q. Okay. Can you identify for me who is S.L. Snyder?

A. I believe that was Steve Snyder.

Q. What was his role within the company?

A. I can't recall. I believe he worked in research, but I really can't recall.

Q. So is this one researcher communicating to another researcher?

A. I don't know. I don't know what Diane Burrows' role was here. I can't recall exactly what Steve Snyder did.

Q. But you identified one of her projects later in time as being a forecaster, correct, for Camel?

A. No, she was in charge of Special Lights, which was a line extension to Camel, and she worked on Camel as --

Q. I thought you also said that she did forecasting, she was projecting possibilities of action to take two to three years down the road.

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A. Well, it wasn't forecasting. It was just working on projects that had a longer time frame.

Q. Okay. And she at one point was one of three senior managers on the Camel brand, correct?

A. I believe that's right.

Q. Can you tell me, after having read this, what is the subject of this memorandum?

A. It appears that she's attempting to estimate Camel's growth rate based on a gaining share among 18 to 24 year old adult smokers.

Q. And where does she say 18 to 24 year old adult smokers?

A. In the second sentence.

Q. Okay. And what does SOM mean?

A. Share of market.

Q. Does she -- And in trying to identify what is the estimated Camel share of market gains amongst 18 to 24 year olds, what are some of the factors that she identifies by the bullet points as necessary to make an accurate forecast?

MR. BEACH: Are you asking the witness to read this document into the record, Mr. Cassidy?

MR. CASSIDY: I'm asking him to identify the factors, if he could start from the top.

MR. BEACH: Based on what's contained in this

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document?

MR. CASSIDY: Uh-huh.

Q. You don't have to read the full sentences. I mean, correct me if I'm wrong, she identifies, first, government population projections; second, continuation of existing incidence trends by age and sex; third, continuation of the rate per day life cycle. Do you have any idea what that refers to?

A. No.

Q. Fourth, very rough estimates of underage volume, which is reflected in industry sales, but not measured in any fashion by R.J.R. What possibly could underage volume be?

A. I don't know what she was talking about there.

Q. Well, when we talk about cigarette sales and we talk about cigarette sales to persons underage, who are we actually referring to?

A. Underage smokers refers to people not of legal age to buy cigarettes.

Q. Teenagers, correct?

A. People not 18.

Q. Well, maybe even children if we're talking about 10 year olds, right?

A. I've told you who I talk to, which is adult smokers. And anyone under the legal age to smoke

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cigarettes, 18, and now 21, I don't talk to.

Q. Having examined this document here, do you still maintain that it's your understanding during your tenure at R.J.R. Reynolds that no one ever spent a single minute looking at cigarette sales to minors?

A. What I said was I have never seen evidence or been in contact with anyone who spent any time developing strategies or discussing how we can get underage smokers to switch to our brands. Now, based on this document of ten years ago, apparently Diane Burrows was trying to estimate volume, and apparently she looked at that volume.

Q. She was trying to estimate volume, being the total share of market, and in trying to estimate that, she was also looking at sales to minors, correct?

A. I'm not sure what she was doing with this. It looks like with the term underage volume she may have been putting some factor in for that. I don't know what she was doing.

Q. If she was doing that, why would she have done that?

MR. BEACH: Objection to the form of the question, speculative.

MR. CASSIDY: I'll rephrase the question.

Q. To have a truly accurate picture of one's share of market and then to forecast how that share of market

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will do within the next few years, don't you have to know how your brand is doing amongst teenagers?

A. I track market share every day via retail sales, and build my marketing programs for adults 21 years of age and older, and that's where my efforts drive my market share. So no, is the answer to your question.

Q. But you're a marketing man, correct?

A. That's right.

Q. And she was a numbers person, right?

A. I don't know how I would characterize her.

Q. She did quantitative research that you've never done as an employee of R.J.R. Reynolds, correct?

A. She may have. I don't know. She was more involved with the research department than I.

MR. CASSIDY: Why don't we break for the day.

VIDEOGRAPHER: We're going off the record at 5:24 p.m. This is the end of tape number four.

(Signature reserved.)

(Whereupon, at 5:24 p.m., the deposition adjourned for the day.)

_____
Signature of the Witness

SUBSCRIBED and SWORN TO before me this _____ day of _____, 19___.

_____
Notary Public

My Commission Expires: _____

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E R R A T A S H E E T

RE: THE STATE OF CALIFORNIA vs. PHILIP MORRIS, INC.

DEPOSITION OF: EDMUND CONGER LEARY, VOLUME I

Please read the original deposition with care, and if you find any corrections or changes you wish made, list them by page and line number below. DO NOT WRITE IN THE DEPOSITION ITSELF. Return the deposition to this office after it is signed. We would appreciate your prompt attention to this matter.

To assist you in making any such corrections, please use the form below. If supplemental or additional pages are necessary, please furnish same and attach them to this errata sheet.

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CERTIFICATE OF REPORTER

STATE OF NORTH CAROLINA)

COUNTY OF MECKLENBURG)

I, Marne L. Hamilton, Notary Public, the officer before whom the foregoing deposition was taken, do hereby certify that the witness whose testimony appears in the foregoing deposition was duly sworn by me; that the testimony of said witness was taken by me to the best of my ability and thereafter reduced to typewriting under my direction; that I am neither counsel for, related to, nor employed by any of the parties to the action in which this deposition was taken, and further that I am not a relative or employee of any attorney or counsel employed by the parties thereto, nor financially or otherwise interested in the outcome of the action.

Marne L. Hamilton

Marne L. Hamilton,
Notary Public in and for
County of Mecklenburg
State of North Carolina

My commission expires July 28, 2003.

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May 22, 1998

Todd E. Thompson
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Three Embarcadero Center, 7th Floor
San Francisco, CA 94111

VIA FACSIMILE & HAND DELIVERY
(415) 399-3041

Re: People of the State of California, et al. v. Philip Morris, et al.,
San Francisco Superior Court Case No. 980864

Dear Todd:

Pursuant to our previous agreement and pursuant to the plaintiffs' previous section 2025 notice of deposition of RJR, this letter serves as a notice of the depositions of the following persons knowledgeable as to the subject matters listed in the section 2025 deposition notice. At the deposition of RJR's original designee, Edward Blackmer, held in Winston-Salem on May 19 and 20, 1998, he testified that *he was not the person most knowledgeable as to any of the subject matters listed in the section 2025 deposition notice*. Mr. Blackmer also testified that he had absolutely no knowledge of RJR's lobbying activities in the Commonwealth of Massachusetts. Accordingly, plaintiffs notice the depositions of the following persons: (1) Patricia Ittermann; (2) G. Clifton Pennell; (3) J. Douglas Weber; (4) Edmund Leary; (5) Rhonda Plummer. We have previously noticed the deposition of Francis Creighton, during which we intend to inquire as to some of the subject matter listed in the 2025 deposition notice.

Please promptly call me or Pierce Gore to schedule these depositions prior to the June 15, 1998 discovery cutoff.

Very truly yours,

Michael Sobol by SHC

Michael W. Sobol

MWS:ls
cc: Owen Clements, Esq. (via fax 554-3837)
Frank J. Janecek, Jr., Esq. (via fax 619-231-7423)
Timothy N. Opsitnick, Esq. (via fax 216-579-0212)
Dana Ballinger/Ana McLean (via fax 772-6268)

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E. C. LEARY

DATES	JOB
6/84 - 5/86	Marketing Assistant - Camel
6/86 - 12/87	Assistant Marketing Manager - Salem
1/88 - 7/90	Manager - New Brands
8/90 - 7/93	Senior Manager - Camel
8/93 - 11/94	Senior Manager (Equity Development) - Camel, Winston
12/94 - 1/97	Director - Winston
2/97 - Present	Vice President - Winston

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Attorneys for Plaintiffs
[Additional Counsel Appear on Signature Page]

SUPERIOR COURT OF THE STATE OF CALIFORNIA

FOR THE CITY AND COUNTY OF SAN FRANCISCO

THE PEOPLE OF THE STATE OF CALIFORNIA; AMERICAN CANCER SOCIETY, CALIFORNIA DIVISION; AMERICAN HEART ASSOCIATION, CALIFORNIA AFFILIATE; CALIFORNIA MEDICAL ASSOCIATION; and CALIFORNIA DISTRICT OF THE AMERICAN ACADEMY OF PEDIATRICS,

Plaintiffs,

v.

PHILIP MORRIS, INC.; R.J. REYNOLDS TOBACCO COMPANY; BROWN & WILLIAMSON TOBACCO CORPORATION; B.A.T. INDUSTRIES P.L.C.; LORILLARD TOBACCO COMPANY; THE AMERICAN TOBACCO COMPANY; THE COUNCIL FOR TOBACCO RESEARCH — U.S.A., INC.; and THE TOBACCO INSTITUTE, INC., and DOES 1-100, inclusive,

Defendants.

Case No. 980864

NOTICE OF DEPOSITION OF R.J. REYNOLDS TOBACCO COMPANY

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3
EXHIBIT
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PLAINTIFF'S EXHIBIT
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DEPOSING PARTY: ALL PLAINTIFFS

RESPONDING PARTY: R.J. REYNOLDS

Pursuant to Section 2025(d) of the California Code of Civil Procedure, you are requested to produce for deposition the person(s) most qualified to testify on your behalf regarding the subjects described herein. The deposition(s) will take place at the offices of Lieff, Cabraser, Heimann & Bernstein, LLP, Embarcadero Center West, 275 Battery Street, 30th Floor, San Francisco, California 94111-3339, on April 20, 1998, and will continue day to day until completed. All depositions will be videotaped as well as recorded stenographically.

I. DEFINITIONS

1. As used herein, "ADVERTISING" or "ADVERTISEMENT" means any promotional activity RELATING TO TOBACCO INCLUDING, without limitation, printed advertisements in newspapers and magazines, billboards, television and radio broadcast advertisements, sponsorship of sporting events, distribution of free samples and use of mail order catalogues.

2. As used herein, "CIGARETTE-RELATED MERCHANDISE" means any merchandise sold or distributed to PERSONS in California which bears any logo, decal, or other identifying mark associated with a brand of cigarettes including, without limitation, clothing and accessories, school supplies, compact disks, or cassette tape recordings.

3. "CATALOGUE ADVERTISING" means all methods of promotion, marketing, or advertising relating to the purchase of cigarettes or CIGARETTE-RELATED MERCHANDISE by consumers through the use of mail-order catalogues or brochures.

4. As used herein, "MARKETING RESEARCH" means any efforts by YOU to determine the opinions, demographic or personal characteristics, attitudes, beliefs, or preferences of consumers or potential consumers of cigarettes or other TOBACCO products, including, without limitation : (1) written or oral surveys; (2) individual or group interviews or interactions; or (3) focus groups.

5. "INCLUDING" means "including, but not limited to" or "including without limitation."

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6. "CIGARETTE ADVERTISING CODE" means any existing or proposed guideline, standard, rule, agreement or convention in the TOBACCO industry governing, regulating, or restricting the sale of cigarettes or other TOBACCO products to persons under a specified age on public or private property within the State of California or any part thereof, INCLUDING any MINOR ADVERTISING CODE restricting the ADVERTISING or sale of cigarettes or other TOBACCO products in designated areas near schools or other areas frequented by minors.

7. "POINT-OF-SALE ADVERTISING" means all methods of promotion, marketing or advertising in or concerning retail points of sale, including product placement, special or incentive arrangements with retailers and discounts to retailers.

8. "TOBACCO" means any product containing TOBACCO, INCLUDING cigarettes.

9. "YOU" and "YOUR" refer to each party responding to these requests and its predecessors in interest, subsidiaries, affiliates, parents, holding companies, divisions, departments, operating units, and other subdivisions; its present and former directors, officers, employees, agents, attorneys, consultants and representatives; and all PERSONS either acting or purporting to act on behalf of any of the above.

10. "RELATING TO" means, without limitation, relating to, constituting, mentioning, referring to, describing, summarizing, evidencing, listing, relevant to, demonstrating, tending to prove or disprove, or explaining.

II. DEPOSITION SUBJECTS

SUBJECT NO. 1 — OUTDOOR ADVERTISING

YOUR outdoor ADVERTISING in California, including stationary and moveable billboards, INCLUDING the following:

a. YOUR total annual expenditures in California for activities RELATING TO this form of ADVERTISING.

b. YOUR decisions regarding the brands selected for outdoor ADVERTISING in California.

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c. YOUR decisions regarding placement, location and volume of this form ADVERTISING in California.

d. YOUR decisions regarding the substance, nature and content of this form of ADVERTISING in California.

e. YOUR decisions regarding limitations or restrictions imposed on the location, placement or content of outdoor ADVERTISING in California.

f. YOUR analyses, studies or evaluations of the effectiveness of this form of ADVERTISING in California.

g. YOUR efforts to avoid influencing minors in California with respect to this form of ADVERTISING.

h. YOUR reports, records or documents relating to each of the foregoing subjects.

SUBJECT NO. 7 — MAGAZINE ADVERTISING

YOUR magazine and periodical ADVERTISING in California, INCLUDING the following:

a. YOUR total annual expenditures in California for activities RELATING TO this form of ADVERTISING.

b. YOUR decisions regarding content, placement and volume of this form of ADVERTISING in California.

c. YOUR decisions regarding the selection of magazines or periodicals sold or distributed in California RELATING TO this form of ADVERTISING.

d. YOUR decisions regarding the brands selected for this form of ADVERTISING in California.

e. YOUR decisions regarding limitations or restrictions regarding the selection of magazines and/or periodicals for this form of ADVERTISING in California.

f. YOUR analyses, studies or evaluations of the effectiveness of this form of ADVERTISING in California.

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g. YOUR efforts to avoid influencing minors in California with respect to this form of ADVERTISING.

h. YOUR reports, records or documents relating to the foregoing subjects.

SUBJECT NO. 3 — CIGARETTE-RELATED MERCHANDISE

YOUR sale or other distribution of CIGARETTE-RELATED MERCHANDISE in California, INCLUDING the following:

a. YOUR total annual expenditures in California for activities RELATING TO this form of ADVERTISING.

b. YOUR reasons for the sale or distribution of CIGARETTE-RELATED MERCHANDISE in California.

c. YOUR decisions regarding the type of CIGARETTE-RELATED MERCHANDISE sold or distributed in California.

d. YOUR decisions regarding absolute and comparative volumes of the types of CIGARETTE-RELATED MERCHANDISE sold or distributed in California.

e. YOUR decisions regarding the selections of brands of CIGARETTE-RELATED MERCHANDISE sold or distributed in California.

f. Any information on limitations or restrictions on the types of CIGARETTE-RELATED MERCHANDISE or persons eligible to receive CIGARETTE-RELATED MERCHANDISE in California.

g. Any information on any other limitations or restrictions RELATING TO the sale or distribution of CIGARETTE-RELATED MERCHANDISE in California.

h. YOUR decisions regarding content, placement and volume of this form of ADVERTISING in California.

i. YOUR analyses, studies or evaluations of the effectiveness of this form of ADVERTISING in California.

j. YOUR efforts to avoid influencing minors in California with respect to this form of ADVERTISING.

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k. YOUR reports, records or documents RELATING TO the foregoing subjects.

SUBJECT NO. 4 — FREE CIGARETTES

YOUR distribution of free cigarettes in California, INCLUDING the following:

a. YOUR total annual expenditures in California for activities RELATING TO free cigarettes.

b. YOUR reasons for utilizing free cigarettes.

c. YOUR decisions regarding the brands of cigarettes selected for this form of ADVERTISING.

d. YOUR decisions regarding the locations and times of distribution of free cigarettes in California.

e. The identities of, and the terms of the arrangements with, third-party contractors RELATING TO the distribution of free cigarettes in California.

f. Limitations or restrictions as to location, persons eligible or times for the distribution of free cigarettes.

g. Any other limitations or restrictions RELATING TO the distribution of free cigarettes in California.

h. Directions or instructions given by you to third-party contractors RELATING TO any limitations or restrictions on the distribution of free cigarettes in California.

i. Any information regarding efforts or steps taken to monitor or verify compliance by third-party contractors with respect to any such directions or instructions.

j. Sanctions or actions taken as a result of third-party contractors noncompliance with such directions or instructions.

k. Any complaints received regarding the distribution of free cigarettes, and information RELATING TO any responses or actions taken as a consequence of such complaints.

l. YOUR analyses, studies or evaluations of the effectiveness of this form of ADVERTISING in California.

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m. YOUR efforts to avoid influencing minors in California with respect to this form of ADVERTISING.

n. Any reports, records or documents relating to the foregoing subjects.

SUBJECT NO. 5 — POINT-OF-SALE ADVERTISING

YOUR POINT-OF-SALE ADVERTISING in California, INCLUDING the following:

a. YOUR total annual expenditures in California for activities RELATING TO this form of ADVERTISING.

b. Information on the types of promotional materials offered or provided to retailers in California.

c. Information on the placement of promotional materials in or around retail establishments in California and any instructions, directions or suggestions made to retailers regarding such placement.

d. YOUR decisions regarding the brands selected for this form of ADVERTISING in California.

e. Information on incentives provided to distributors or retailers RELATING TO this form of ADVERTISING in California.

f. YOUR decisions regarding the categories or locations of retailers selected for this form of ADVERTISING in California.

g. YOUR directions, instructions or suggestions to distributors or retailers RELATING TO this form of ADVERTISING in California.

h. Information RELATING TO the terms of any arrangements or agreements with retailers regarding the placement or other marketing arrangements RELATING TO this form of advertising.

i. Information RELATING TO the amounts and forms of payment, compensation, or other inducements provided or offered to retailers in California RELATING TO this form of ADVERTISING.

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j. The terms of any arrangements or agreements with distributors regarding this form of ADVERTISING in California.

k. Information RELATING TO all efforts or steps taken to monitor or verify compliance by retailers and distributors with the arrangements or agreements referred to in the preceding paragraph.

l. Information RELATING TO any sanctions imposed or actions taken as a result of the failure of distributors or retailers to comply with the arrangements or agreements referred to in paragraph j. above.

m. YOUR analyses, studies or evaluations of the effectiveness of this form of ADVERTISING in California.

n. YOUR efforts to avoid influencing minors in California with respect to this form of ADVERTISING.

o. Instructions, directions or suggestions to retailers or distributors RELATING TO this form of ADVERTISING in California.

p. Information regarding efforts or steps taken to monitor or verify compliance by retailers and distributors with respect to such instructions, directions or suggestions RELATING TO this form of ADVERTISING in California.

q. Information regarding sanctions or actions taken as a result of the failure of retailers or distributors to comply with such instructions, directions or suggestions RELATING TO this form of ADVERTISING in California.

r. Reports, records and documents RELATING TO the foregoing subjects.

SUBJECT NO. 6 — SPONSORSHIP OF SPORTING EVENTS

YOUR ADVERTISING at sporting or other spectator events in California, INCLUDING the following:

a. YOUR total annual expenditures in California for activities RELATING TO this form of ADVERTISING.

b. YOUR decisions regarding content, placement and volume of this form of ADVERTISING in California.

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c. YOUR decisions regarding the selection of sporting and other spectator events for this form of ADVERTISING in California

d. YOUR decisions regarding the selection of brands for this form of ADVERTISING in California.

e. Information on any limitations or restrictions on this form of ADVERTISING in California.

f. YOUR analyses, studies or evaluations of the effectiveness of this form of ADVERTISING in California.

g. YOUR efforts to avoid influencing minors in California with respect to this form of ADVERTISING.

h. Reports, records or documents RELATING TO the foregoing subjects.

SUBJECT NO. 7 — CATALOGUE ADVERTISING

YOUR CATALOGUE ADVERTISING in California, INCLUDING the following:

a. YOUR total annual expenditures in California for activities RELATING TO this form of ADVERTISING.

b. YOUR decisions regarding content, placement and volume of this form of ADVERTISING in California.

c. Information on any limitations or restrictions on this form of ADVERTISING in California.

d. YOUR analyses, studies or evaluations of the effectiveness of this form of ADVERTISING in California.

e. YOUR efforts to avoid influencing minors in California with respect to this form of ADVERTISING.

f. Reports, records or documents RELATING TO the foregoing subjects.

SUBJECT NO. 8 — ANTI-YOUTH TARGETING

a. YOUR efforts or measures (whether direct or indirect) taken in California to prevent or dissuade minors from initiating or continuing to use TOBACCO products.

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b. Information RELATING TO complaints about non-compliance with the CIGARETTE ADVERTISING CODE.

c. The application of the CIGARETTE ADVERTISING CODE to your ADVERTISING in California.

d. Studies or analyses of the effectiveness of efforts either to prevent initiation or the continuance of the use of YOUR CIGARETTE products by minors in California, or of YOUR efforts to prevent the sale of CIGARETTES to minors in California, and any records, reports or documents relating thereto.

e. YOUR efforts or measures (whether direct or indirect) taken in California to prevent the sale of TOBACCO products to minors.

f. Any reports, records or documents RELATING TO the foregoing subjects.

SUBJECT NO. 9 – MARKETING RESEARCH

a. MARKETING RESEARCH conducted by YOU or on YOUR behalf concerning consumer preferences regarding smoking education, prevention, or restriction by governmental or private parties in California.

b. MARKETING RESEARCH conducted by YOU or on YOUR behalf concerning consumer or public knowledge or attitudes regarding smoking and health.

c. MARKETING RESEARCH conducted by YOU or on YOUR behalf concerning smoking education, restriction or prevention efforts by governmental or private parties.

d. MARKETING RESEARCH conducted by others about the subjects described in subsections e-g.

e. Any reports, records or documents RELATING TO the foregoing subjects.

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COMMONWEALTH OF MASSACHUSETTS

MIDDLESEX, ss.

SUPERIOR COURT DEPARTMENT
OF THE TRIAL COURT
Civil Action No. 95-7378-J

COMMONWEALTH OF MASSACHUSETTS,

Plaintiff,

v.

PHILIP MORRIS INCORPORATED, R. J. REYNOLDS TOBACCO COMPANY, BROWN & WILLIAMSON TOBACCO CORPORATION, B.A.T INDUSTRIES P.L.C., LORILLARD TOBACCO COMPANY, NEW ENGLAND WHOLESALE TOBACCO CO., INC., ALBERT H. NOTINI & SONS, INC., THE COUNCIL FOR TOBACCO RESEARCH-U.S.A., INC. and THE TOBACCO INSTITUTE, INC.,

Defendants.

NOTICE OF DEPOSITION OF R.J. REYNOLDS TOBACCO COMPANY

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FOR STUDY ONLY

Pursuant to Rule 30(b)(6) of the Massachusetts Rules of Civil Procedure, you are requested to produce for deposition the person(s) most qualified to testify on your behalf regarding the subjects described herein. The deposition(s) will take place at the offices of Brown, Rudnick, Freed & Gesmer, P.C., One Financial Center, Boston, Massachusetts 02111, on May 4, 1998. This is a Class II deposition pursuant to the Case Management Order.

The deposition(s) will be videotaped and will continue from day to day until completed.

I. DEFINITIONS

1. As used herein, "advertising" or "advertisement" means any promotional activity relating to tobacco including, without limitation, printed advertisements in newspapers and

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magazines, billboards, television and radio broadcast advertisements, sponsorship of sporting events, distribution of free samples and use of mail order catalogues.

2. As used herein, "cigarette-related merchandise" means any merchandise sold or distributed to persons in Massachusetts which bears any logo, decal, or other identifying mark associated with a brand of cigarettes including, without limitation, clothing and accessories, school supplies, compact disks, or cassette tape recordings.

3. "Catalogue advertising" means all methods of promotion, marketing, or advertising relating to the purchase of cigarettes or cigarette-related merchandise by consumers through the use of mail-order catalogues or brochures.

4. As used herein, "marketing research" means any efforts by you to determine the opinions, demographic or personal characteristics, attitudes, beliefs, or preferences of consumers or potential consumers of cigarettes or other tobacco products, including, without limitation: (1) written or oral surveys; (2) individual or group interviews or interactions; or (3) focus groups.

5. "Including" means "including, but not limited to" or "including without limitation."

6. "Cigarette advertising code" means any existing or proposed guideline, standard, rule, agreement or convention in the tobacco industry governing, regulating, or restricting the sale of cigarettes or other tobacco products to persons under a specified age on public or private property within the State of Massachusetts or any part thereof, including any minor advertising code restricting the advertising or sale of cigarettes or other tobacco products in designated areas near schools or other areas frequented by minors.

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7. "Point-of-sale advertising" means all methods of promotion, marketing or advertising in or concerning retail points of sale, including product placement, special or incentive arrangements with retailers and discounts to retailers.

8. "Tobacco" means any product containing tobacco, including cigarettes.

9. "You" and "your" refer to each party responding to these requests and its predecessors in interest, subsidiaries, affiliates, parents, holding companies, divisions, departments, operating units, and other subdivisions; its present and former directors, officers, employees, agents, attorneys, consultants and representatives; and all persons either acting or purporting to act on behalf of any of the above.

10. "Relating to" means, without limitation, relating to, constituting, mentioning, referring to, describing, summarizing, evidencing, listing, relevant to, demonstrating, tending to prove or disprove, or explaining.

II. DEPOSITION SUBJECTS

SUBJECT NO. 1 - OUTDOOR ADVERTISING

Your outdoor advertising in Massachusetts, including stationary and moveable billboards, including the following:

a. Your total annual expenditures in Massachusetts for activities relating to this form of advertising.

b. Your decisions regarding the brands selected for outdoor advertising in Massachusetts.

c. Your decisions regarding placement, location and volume of this form of advertising in Massachusetts.

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d. Your decisions regarding the substance, nature and content of this form of advertising in Massachusetts.

e. Your decisions regarding limitations or restrictions imposed on the location, placement or content of outdoor advertising in Massachusetts.

f. Your analyses, studies or evaluations of the effectiveness of this form of advertising in Massachusetts.

g. Your efforts to avoid influencing minors in Massachusetts with respect to this form of advertising.

h. Your reports, records or documents relating to each of the foregoing subjects.

SUBJECT NO. 7 - MAGAZINE ADVERTISING

Your magazine and periodical advertising in Massachusetts, including the following:

a. Your total annual expenditures in Massachusetts for activities relating to this form of advertising.

b. Your decisions regarding content, placement and volume of this form of advertising in Massachusetts.

c. Your decisions regarding the selection of magazines or periodicals sold or distributed in Massachusetts relating to this form of advertising.

d. Your decisions regarding the brands selected for this form of advertising in Massachusetts.

e. Your decisions regarding limitations or restrictions regarding the selection of magazines and/or periodicals for this form of advertising in Massachusetts.

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f. Your analyses, studies or evaluations of the effectiveness of this form of advertising in Massachusetts.

g. Your efforts to avoid influencing minors in Massachusetts with respect to this form of advertising.

h. Your reports, records or documents relating to the foregoing subjects.

SUBJECT NO. 3 - CIGARETTE-RELATED MERCHANDISE

Your sale or other distribution of cigarette-related merchandise in Massachusetts, including the following:

a. Your total annual expenditures in Massachusetts for activities relating to this form of advertising.

b. Your reasons for the sale or distribution of cigarette-related merchandise in Massachusetts.

c. Your decisions regarding the type of cigarette-related merchandise sold or distributed in Massachusetts.

d. Your decisions regarding absolute and comparative volumes of the types of cigarette-related merchandise sold or distributed in Massachusetts.

e. Your decisions regarding the selections of brands of cigarette-related merchandise sold or distributed in Massachusetts.

f. Any information on limitations or restrictions on the types of cigarette-related merchandise or persons eligible to receive cigarette-related merchandise in Massachusetts.

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g. Any information on any other limitations or restrictions relating to the sale or distribution of cigarette-related merchandise in Massachusetts.

h. Your decisions regarding content, placement and volume of this form of advertising in Massachusetts.

i. Your analyses, studies or evaluations of the effectiveness of this form of advertising in Massachusetts.

j. Your efforts to avoid influencing minors in Massachusetts with respect to this form of advertising.

k. Your reports, records or documents relating to the foregoing subjects.

SUBJECT NO. 4 - FREE CIGARETTES

Your distribution of free cigarettes in Massachusetts, including the following:

a. Your total annual expenditures in Massachusetts for activities relating to free cigarettes.

b. Your reasons for utilizing free cigarettes.

c. Your decisions regarding the brands of cigarettes selected for this form of advertising.

d. Your decisions regarding the locations and times of distribution of free cigarettes in Massachusetts.

e. The identities of, and the terms of the arrangements with, third-party contractors relating to the distribution of free cigarettes in Massachusetts.

f. Limitations or restrictions as to location, persons eligible or times for the distribution of free cigarettes.

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g. Any other limitations or restrictions relating to the distribution of free cigarettes in Massachusetts.

h. Directions or instructions given by you to third-party contractors relating to any limitations or restrictions on the distribution of free cigarettes in Massachusetts.

i. Any information regarding efforts or steps taken to monitor or verify compliance by third-party contractors with respect to any such directions or instructions.

j. Sanctions or actions taken as a result of third-party contractors noncompliance with such directions or instructions.

k. Any complaints received regarding the distribution of free cigarettes, and information relating to any responses or actions taken as a consequence of such complaints.

l. Your analyses, studies or evaluations of the effectiveness of this form of advertising in Massachusetts.

m. Your efforts to avoid influencing minors in Massachusetts with respect to this form of advertising.

n. Any reports, records or documents relating to the foregoing subjects.

SUBJECT NO. 5 - POINT-OF-SALE ADVERTISING

Your point-of-sale advertising in Massachusetts, including the following:

a. Your total annual expenditures in Massachusetts for activities relating to this form of advertising.

b. Information on the types of promotional materials offered or provided to retailers in Massachusetts.

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c. Information on the placement of promotional materials in or around retail establishments in Massachusetts and any instructions, directions or suggestions made to retailers regarding such placement.

d. Your decisions regarding the brands selected for this form of advertising in Massachusetts.

e. Information on incentives provided to distributors or retailers relating to this form of advertising in Massachusetts.

f. Your decisions regarding the categories or locations of retailers selected for this form of advertising in Massachusetts.

g. Your directions, instructions or suggestions to distributors or retailers relating to this form of advertising in Massachusetts.

h. Information relating to the terms of any arrangements or agreements with retailers regarding the placement or other marketing arrangements relating to this form of advertising.

i. Information relating to the amounts and forms of payment, compensation, or other inducements provided or offered to retailers in Massachusetts relating to this form of advertising.

j. The terms of any arrangements or agreements with distributors regarding this form of advertising in Massachusetts.

k. Information relating to all efforts or steps taken to monitor or verify compliance by retailers and distributors with the arrangements or agreements referred to in the preceding paragraph.

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l. Information relating to any sanctions imposed or actions taken as a result of the failure of distributors or retailers to comply with the arrangements or agreements referred to in paragraph j. above.

m. Your analyses, studies or evaluations of the effectiveness of this form of advertising in Massachusetts.

n. Your efforts to avoid influencing minors in Massachusetts with respect to this form of advertising.

o. Instructions, directions or suggestions to retailers or distributors relating to this form of advertising in Massachusetts.

p. Information regarding efforts or steps taken to monitor or verify compliance by retailers and distributors with respect to such instructions, directions or suggestions relating to this form of advertising in Massachusetts.

q. Information regarding sanctions or actions taken as a result of the failure of retailers or distributors to comply with such instructions, directions or suggestions relating to this form of advertising in Massachusetts.

r. Reports, records and documents relating to the foregoing subjects.

SUBJECT NO. 6 - SPONSORSHIP OF SPORTING EVENTS

Your advertising at sporting or other spectator events in Massachusetts, including the following:

a. Your total annual expenditures in Massachusetts for activities relating to this form of advertising.

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b. Your decisions regarding content, placement and volume of this form of advertising in Massachusetts.

c. Your decisions regarding the selection of sporting and other spectator events for this form of advertising in Massachusetts

d. Your decisions regarding the selection of brands for this form of advertising in Massachusetts.

e. Information on any limitations or restrictions on this form of advertising in Massachusetts.

f. Your analyses, studies or evaluations of the effectiveness of this form of advertising in Massachusetts.

g. Your efforts to avoid influencing minors in Massachusetts with respect to this form of advertising.

h. Reports, records or documents relating to the foregoing subjects.

SUBJECT NO. 7 - CATALOGUE ADVERTISING

Your catalogue advertising in Massachusetts, including the following:

a. Your total annual expenditures in Massachusetts for activities relating to this form of advertising.

b. Your decisions regarding content, placement and volume of this form of advertising in Massachusetts.

c. Information on any limitations or restrictions on this form of advertising in Massachusetts.

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d. Your analyses, studies or evaluations of the effectiveness of this form of advertising in Massachusetts.

e. Your efforts to avoid influencing minors in Massachusetts with respect to this form of advertising.

f. Reports, records or documents relating to the foregoing subjects.

SUBJECT NO. 8 - ANTI-YOUTH TARGETING

a. Your efforts or measures (whether direct or indirect) taken in Massachusetts to prevent or dissuade minors from initiating or continuing to use tobacco products.

b. Information relating to complaints about non-compliance with the cigarette advertising code.

c. The application of the cigarette advertising code to your advertising in Massachusetts.

d. Studies or analyses of the effectiveness of efforts either to prevent initiation or the continuance of the use of your cigarette products by minors in Massachusetts, or of your efforts to prevent the sale of cigarettes to minors in Massachusetts, and any records, reports or documents relating thereto.

e. Your efforts or measures (whether direct or indirect) taken in Massachusetts to prevent the sale of tobacco products to minors.

f. Any reports, records or documents relating to the foregoing subjects.

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SUBJECT NO. 9 - MARKETING RESEARCH

a. Marketing Research conducted by you or on your behalf concerning consumer preferences regarding smoking education, prevention, or restriction by governmental or private parties in Massachusetts.

b. Marketing Research conducted by you or on your behalf concerning consumer or public knowledge or attitudes regarding smoking and health.

c. Marketing Research conducted by you or on your behalf concerning smoking education, restriction or prevention efforts by governmental or private parties.

d. Marketing Research conducted by others about the foregoing subjects a-c.

e. Any reports, records or documents relating to the foregoing subjects.

SUBJECT NO. 10 - LOBBYING

Your lobbying activities relating to the Commonwealth of Massachusetts or any of its political subdivisions from 1952 to the present.

Dated: April 13,1998

COMMONWEALTH OF MASSACHUSETTS

By its attorneys,

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Attorneys for Plaintiffs

SUPERIOR COURT OF THE STATE OF CALIFORNIA

FOR THE CITY AND COUNTY OF SAN FRANCISCO

THE PEOPLE OF THE STATE OF CALIFORNIA; AMERICAN CANCER SOCIETY, CALIFORNIA DIVISION; AMERICAN HEART ASSOCIATION, CALIFORNIA AFFILIATE; CALIFORNIA MEDICAL ASSOCIATION; and CALIFORNIA DISTRICT OF THE AMERICAN ACADEMY OF PEDIATRICS, Plaintiffs, v. PHILIP MORRIS, INC.; R.J. REYNOLDS TOBACCO COMPANY; BROWN & WILLIAMSON TOBACCO CORPORATION; B.A.T. INDUSTRIES P.L.C.; LORILLARD TOBACCO COMPANY; LIGGETT GROUP, INC.; THE AMERICAN TOBACCO COMPANY; THE COUNCIL FOR TOBACCO RESEARCH — U.S.A., INC.; and THE TOBACCO INSTITUTE, INC., and DOES 1-100, inclusive, Defendants.	Case No. 980864 **PLAINTIFFS' SIXTH REQUEST FOR PRODUCTION OF DOCUMENTS: NEW R.J. REYNOLDS CIGARETTES**

Privileged and Confidential Attorney Work Product

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EXHIBIT
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EXHIBIT 1

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DEMANDING PARTIES: ALL PLAINTIFFS

RESPONDING PARTIES: R.J. REYNOLDS TOBACCO COMPANY

SET NUMBER: SIX

Pursuant to Section 2031 of the California Code of Civil Procedure, you are required to respond within twenty days after service is made upon you to the following requests for production of documents, in writing and under oath, and to provide for inspection and copying of these documents at the offices of Lieff, Cabraser, Heimann & Bernstein, LLP, Embarcadero Center West, 275 Battery Street, 30th Floor, San Francisco, California 94111-3339 on March 4, 1998 at 10:00 a.m. In answering these requests for production you should identify all documents within the possession, custody or control of you, your attorneys, your agents or your employees.

I. DEFINITIONS

1. "DOCUMENT" is used in the broadest possible sense and means any writing as defined in California Evidence Code Section 250, including any preliminary versions, drafts or revisions and any computer-readable material.

2. "YOU" and "YOUR" mean or refer to the responding party and its predecessors in interest, subsidiaries, affiliates, parents, holding companies, divisions, departments, operating units, and other subdivisions; their present and former directors, officers, employees, agents, attorneys, consultants and representatives; and all PERSONS either acting or purporting to act on behalf of the above, or any of them.

II. INSTRUCTIONS

1. This Request for Production requires YOU to produce all DOCUMENTS in YOUR possession, custody, or control.

2. If any DOCUMENT responsive to this Request for Production was, but no longer is, in YOUR possession, custody, or control, please state whether such DOCUMENT is:

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4. In producing DOCUMENTS, you are requested to furnish all DOCUMENTS or things in YOUR possession, custody or control, or known or available to YOU, regardless of whether such DOCUMENTS or things are possessed directly by YOU or YOUR attorneys, agents, employees, representatives, or investigators.

5. If any requested DOCUMENT is not or cannot be produced in full, produce it to the extent possible, indicating what DOCUMENT or portion of any such DOCUMENT is not or cannot be produced and the reason therefor.

6. All DOCUMENTS should be produced in the same order as they are kept or maintained by YOU.

7. All DOCUMENTS should be produced in the file, folder, envelope or other container in which the DOCUMENTS are kept or maintained by YOU. If for any reason the container cannot be produced, please produce copies of all labels or other identifying markings.

8. DOCUMENTS attached to each other should not be separated.

9. DOCUMENTS not otherwise responsive to this request shall be produced if such DOCUMENTS refer to, relate to, or explain the DOCUMENTS called for by this request and constitute routing slips, transmittal memoranda or letters, comments, evaluations, or similar DOCUMENTS.

10. DOCUMENTS consisting of reporters' transcripts shall be produced as both a printed copy and computer readable version of the transcripts.

11. To the extent YOU withhold the production of documents pursuant to a claim of attorney-client privilege, within 45 days of the date documents responsive to this request

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are produced, or, in the case of a "rolling production," 45 days from the production date of the set of documents from which the documents withheld under a claim of privilege came, YOU shall prepare and produce a "privilege log" which shall include the following information, to the extent that providing such information will not destroy the privilege: (1) the document's Bates stamp number; (2) the date of the document; (3) the name, job title or capacity of all persons authoring or receiving the document, and the relationship between those persons; (4) a brief description of the subject matter of the document; (5) whether the primary purpose of the document was to seek or provide legal advice or services; (6) whether the document or communication was transmitted in confidence; (7) the nature of the privilege claimed; and (8) a brief statement as to why, under the law, the document is privileged. If YOU claim a document is protected from disclosure by Code of Civil Procedure section 2018, YOU shall also provide the following information, in addition to the foregoing: (9) whether the document contains an attorney's impressions, conclusions, opinions or legal research or theories; and (10) whether the document contains evidentiary material, such as witness statements, or the identity or location of physical evidence, documents, or witnesses; and (11) whether the author has at any time been designated as a prospective trial witness by YOU or YOUR predecessor-in-interest, successor-in-interest, or corporate affiliate in any action.

12. If you otherwise object to the production of any DOCUMENT or contend that any DOCUMENT is excludable from production in discovery for any reason, for each such DOCUMENT:

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(b) State its general subject matter;

(c) State its date;

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(h) State each objection and the grounds for each objection and exclusion; and

(I) Identify each person having knowledge of the factual basis on which each such privilege or objection is based. "Identify" means that you are to state each person's full name, the name of his or her employer, and that person's last known residence and business address and telephone number.

III. DOCUMENT REQUESTS

1. All documents dated on or after January 1, 1995 relating to the development, sale, marketing, including but not limited to internal surveys, reports and test marketing, advertisement, promotion, internal scientific research, and product formulas, including but not limited to ingredients, additives and manufacturing processes, for Red Kamel Originals.

2. All documents dated on or after January 1, 1995 relating to the development, sale, marketing, including but not limited to internal surveys, reports and test marketing, advertisement, promotion, internal scientific research, and product formulas, including but not limited to ingredients, additives and manufacturing processes, for Winston cigarettes advertised as containing "no additives" and/or "100% tobacco."

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DATED: January 28, 1998

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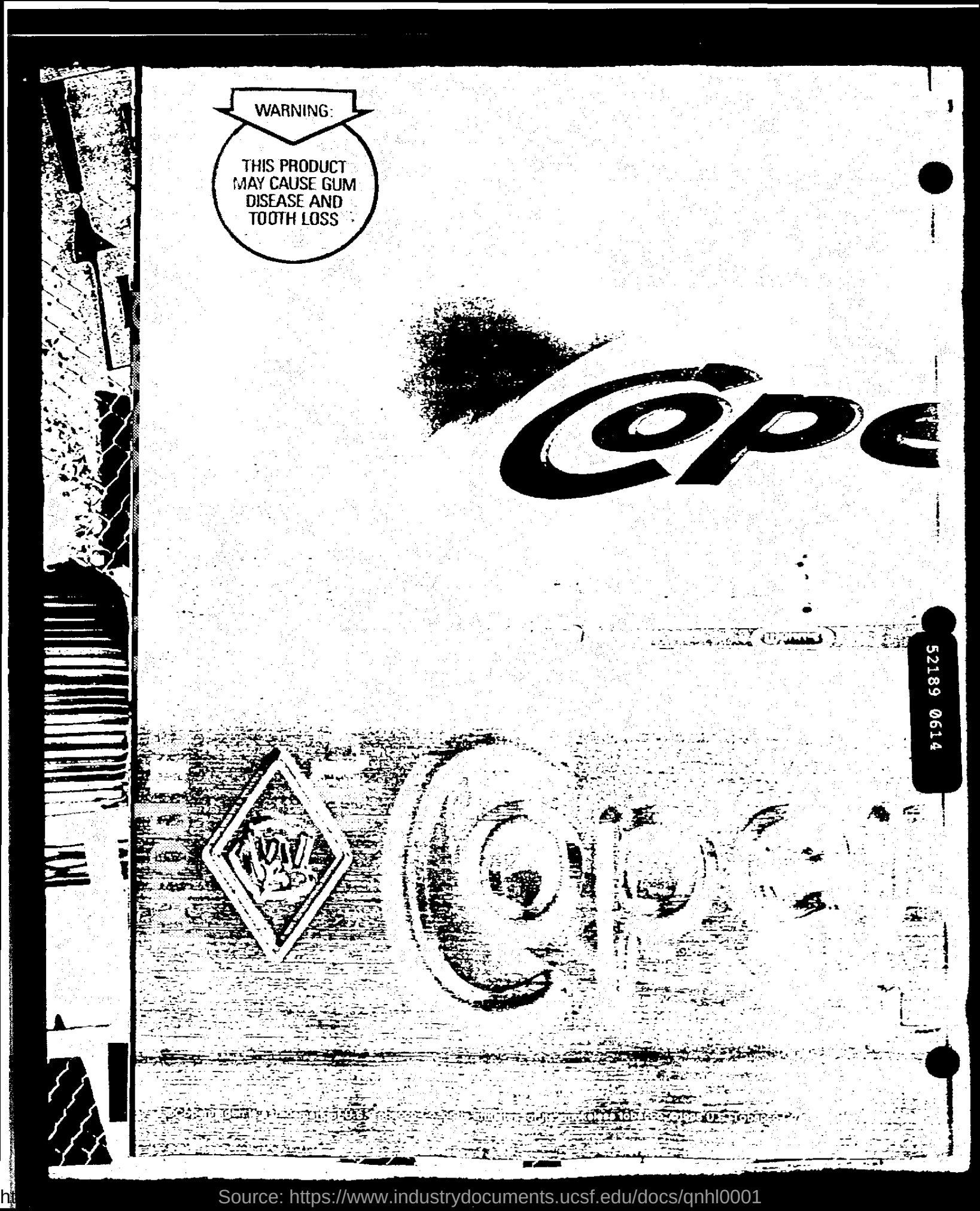

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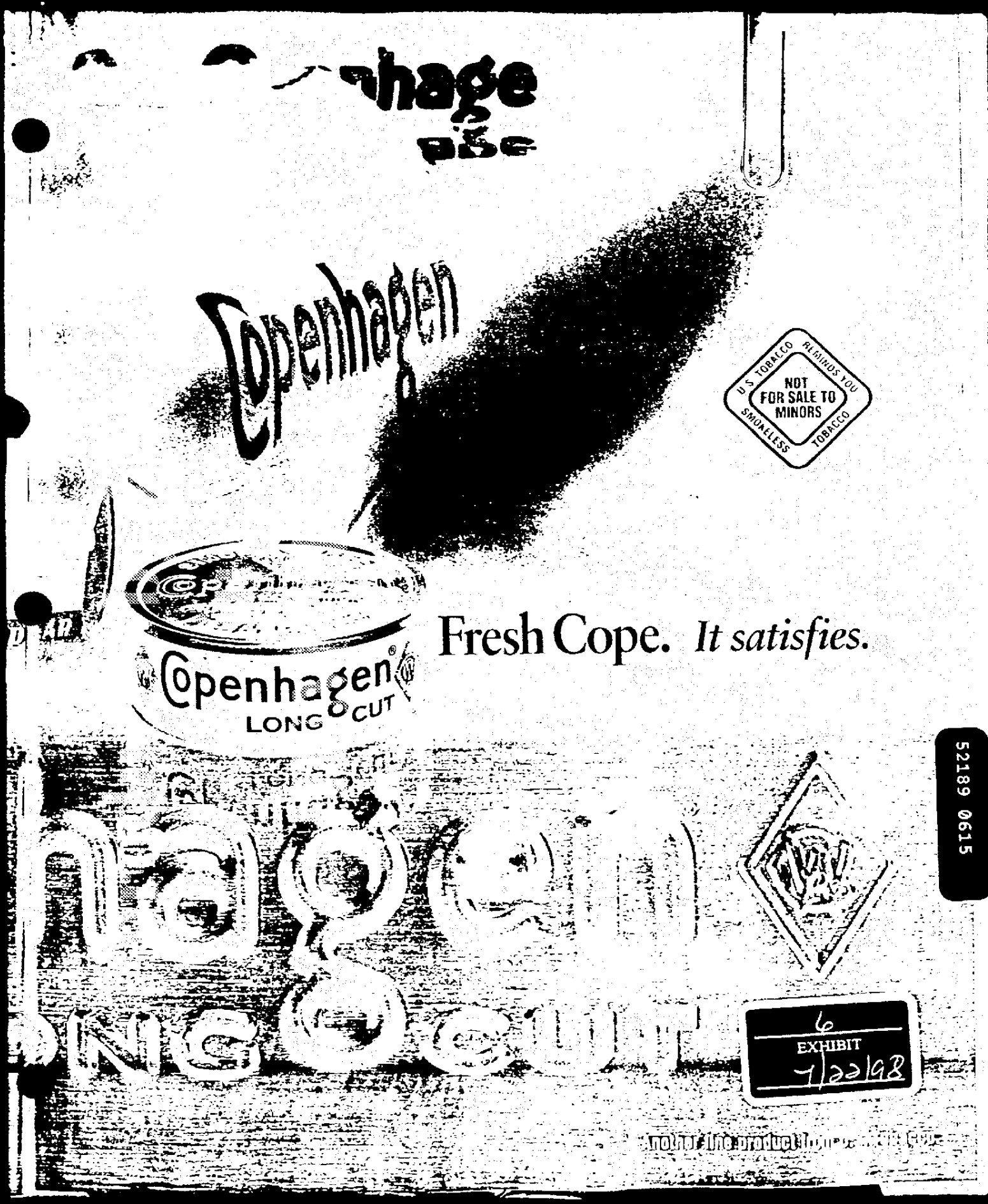

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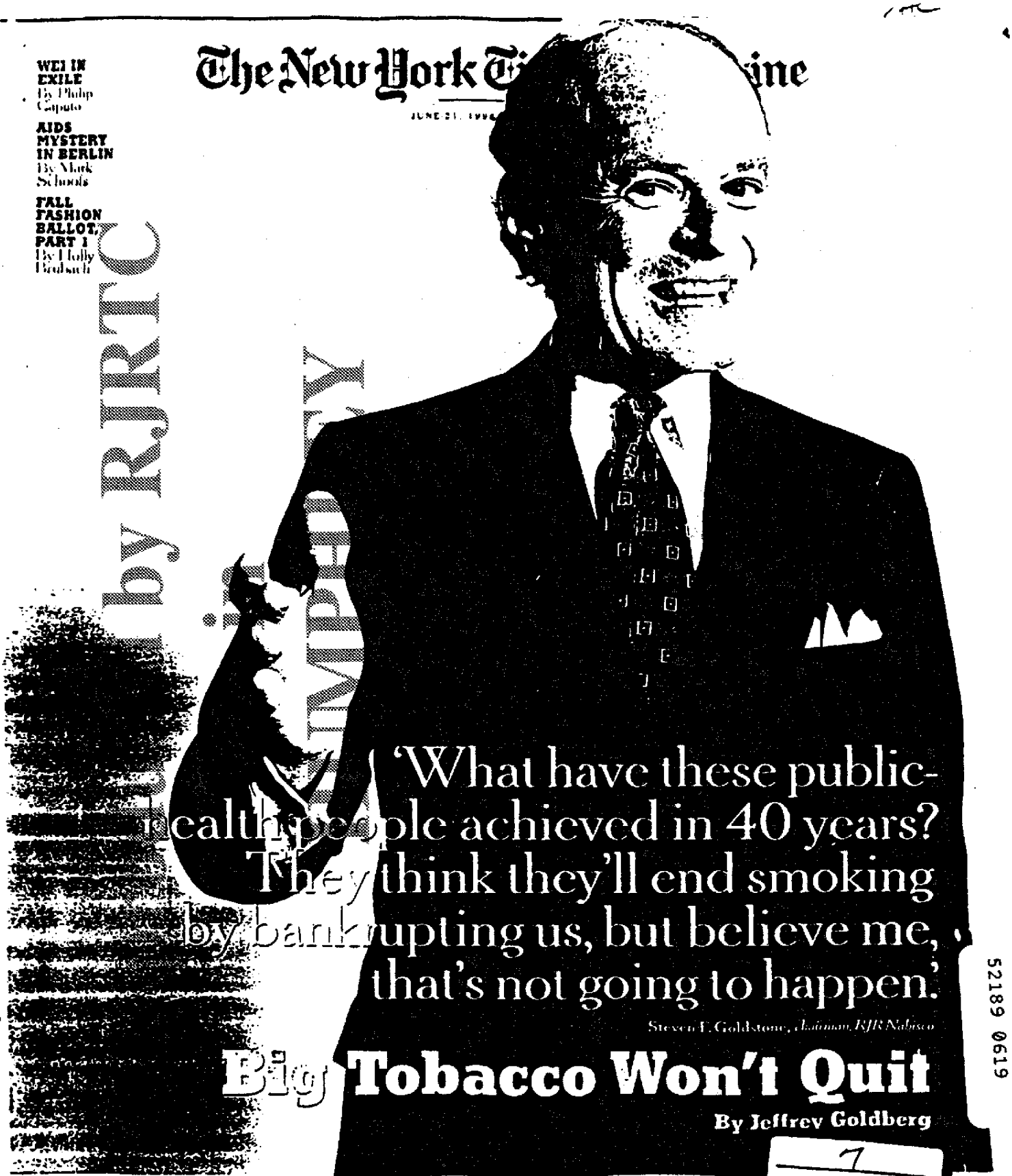

'What have these public-health people achieved in 40 years? They think they'll end smoking by bankrupting us, but believe me, that's not going to happen.'

Steven F. Goldstone, *Chairman, RJR Nabisco*

Big Tobacco Won't Quit

By Jeffrey Goldberg

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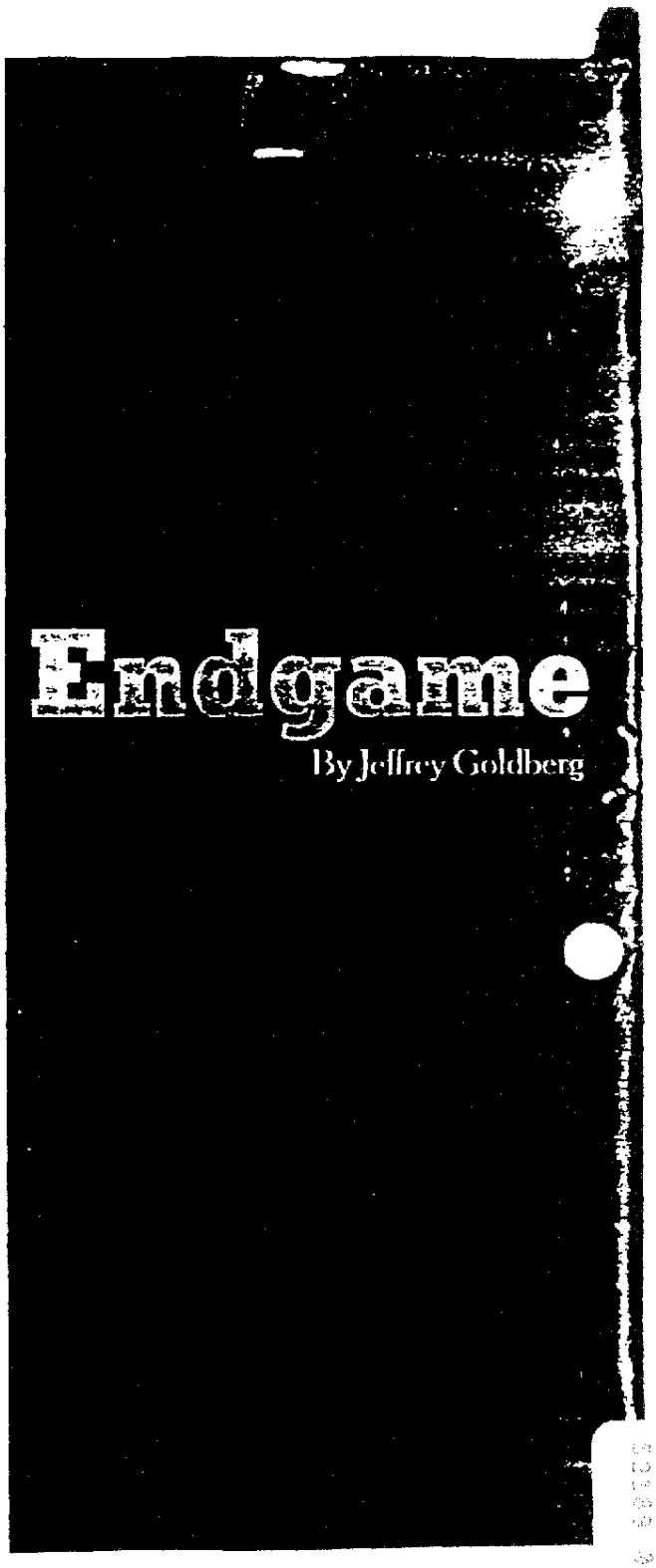
Stalling, spinning and scheming, the nation's cigarette manufacturers are struggling to survive — and to figure out how it got so bad so fast.

Big Tobacco's Endgame

By Jeffrey Goldberg



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STEVEN F. GOLDSTONE, THE CHAIRMAN AND CHIEF EXECutive officer of one of the four most reviled corporations in America, looks like a man in need of a cigarette. A dismal rain has settled over the Benton Convention Center in Winston-Salem, N.C., the city where his company, RJR Nabisco, is about to open its annual shareholders' meeting. The meeting won't be pleasant for him, but what is these days? It's reeling madness out there — not so much in Winston-Salem, one of the last of the country's pro-tobacco redoubts, but almost everywhere else.

It is perhaps the worst moment in history to be a tobacco C.E.O. The industry Goldstone leads is a pariah, the Libya of American commerce. Congress has spun itself into a frenzy, weighing huge tax increases on tobacco and considering measures to let the Food and Drug Administration regulate the nicotine out of cigarettes. Wall Street, meanwhile, views the tobacco companies the way Sloan-Kettering views smoking. RJR Nabisco Holdings Corporation is a highly leveraged company, and its stock price is so depressed that the company's market cap — the total value of all outstanding shares — is actually exceeded by its debt.

Goldstone, a shortish and combative 52-year-old, is Big Tobacco's prime strategist. Last year he led his fellow C.E.O.'s into historic negotiations with their enemies, the state attorneys general who had made it their mission to take down Big Tobacco. Two and a half years ago, before he became president of RJR Nabisco, which owns R.J. Reynolds, the nation's second-largest tobacco company, he was just another rich Wall Street lawyer. But now that Goldstone oversees the production of Camels, Winstons and Dorals, it seems an article of faith among tobacco's foes that he pushes drugs to children. When I asked C. Everett Koop, the former Surgeon General, if he thought Goldstone was actually evil, he answered, "Is it evil to know that the product you sell is going to kill one-third of your customers, and then sell it anyway?"

Lying in ambush for Goldstone this May morning in Winston-Salem are a number of Koop's acolytes. Goldstone

PHOTOGRAPH BY MARK PETERSON/SABA FOR THE NEW YORK TIMES

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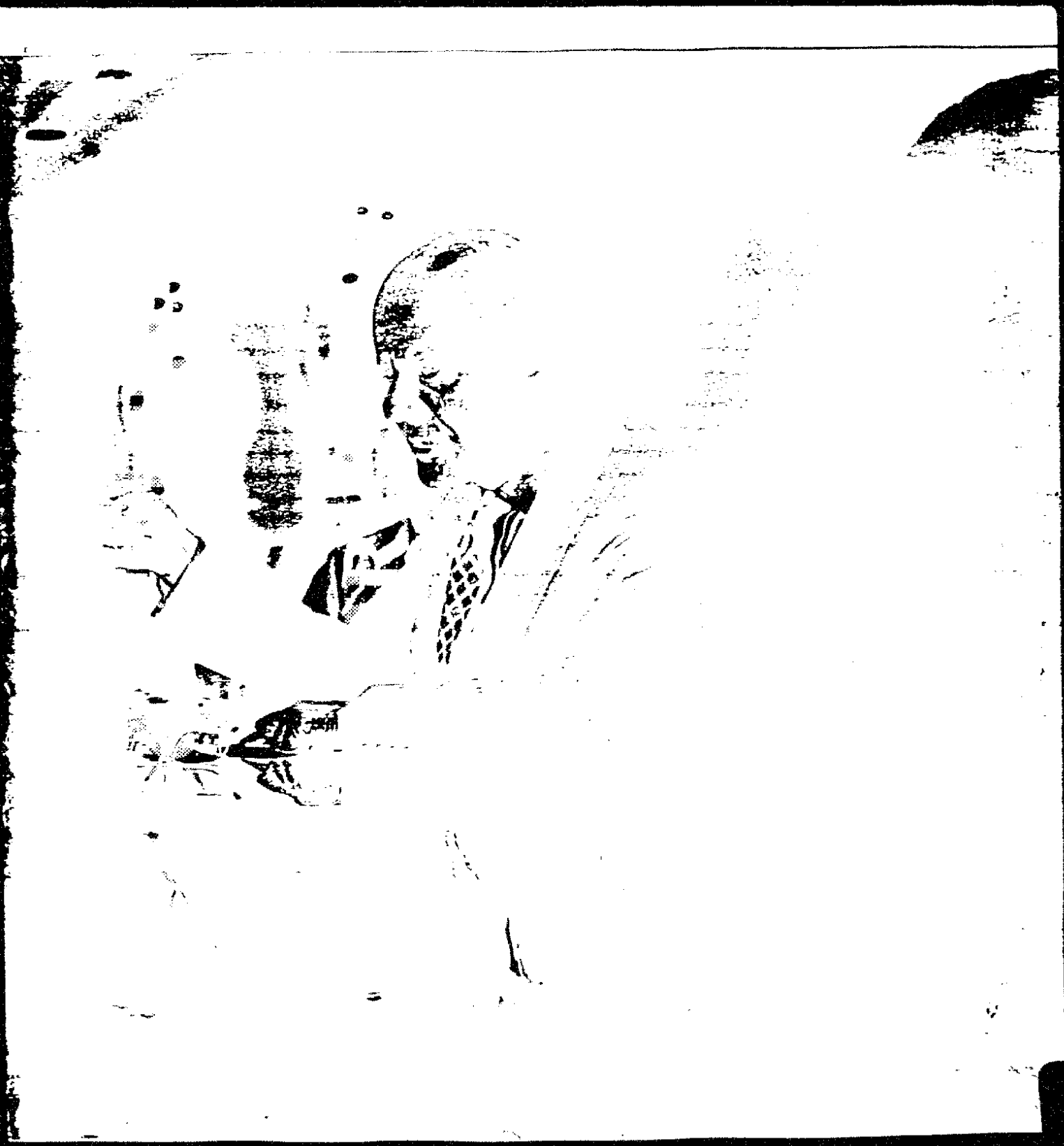

He'd rather fight *and* switch: Steven Goldstone, the tobacco C.E.O., is no longer the great conciliator in the war on his and other cigarette-making companies.

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BEST IMAGE

Pack defense: Tobacco executives testified before the House Commerce Committee in January. From left to right: Laurence Tisch (Loews); Geoffrey Bible (Philip Morris); Vincent Gierer Jr. (UST Inc.); Steven Goldstone (RJR Nabisco), and Nick Brookes (Brown & Williamson).

knows he's in for it — he calls the annual meetings "a continuing psychodrama" — so it is no surprise that he looks as if he needs a cigarette. Alas, he quit 20 years ago. "At some point, I just said, 'Jeez, I'm killing myself,' so I stopped," he explains. "The pleasure component was beginning to be overweighed by my anxiety that I was injuring my health."

And so he has become addicted — if that is the word — to Breath Savers, one of the noncontroversial products manufactured by his company. He pops one into his mouth and, tagged by security agents, makes his way to the main conference hall. "Let's get this thing," he says. At the first opportunity, the anti-tobacco contingent crowds the microphones. The first to speak, a Virginia woman named Anne Donley, asks Goldstone to describe the provisions made by the company should he or the other directors be indicted." Goldstone maintains his equilibrium, thanking her for her question without providing an answer. Another critic, a Virginia physician named David Lewis, says to Goldstone: "I had to tell one of your customers a few days ago that the shadow in her chest is lung cancer. I suspect that she is still crying. I believe there is higher power, Mr. Goldstone, and I believe that one day you will have to answer to that higher power."

"Thank you, Dr. Lewis," Goldstone replies. He becomes testy only once, when another woman announces that a petition drive in support of a Nabisco boycott has already netted 12,000 signatures.

"I'm sorry that 12,000 people are not using Nabisco products," he says, a malevolent grin spreading across his face. "We're doing a great job on Snackwell's, and when they see their weight going up they might come back." This draws a laugh from his cigarette-subsidiary executives, who fill the front rows and smoke like fiends through the meeting. They don't really trust Goldstone, who is decidedly not a tobacco man, but today he is a hero to them. He is a hero to his shareholders too. It's not because he has figured out a way to grow the cigarette business. Quite the opposite: he is certainly one of the only C.E.O.'s in America who tell their employees and shareholders that the most they will achieve for them is a "slow and manageable decline in an increasingly obsolete industry."

Nor is he a hero because he has formulated the magic arguments that would convince the country that his company never manipulated the nicotine levels in cigarettes, never marketed its products to teen-agers and never thought, even for a moment, that Joe Camel could be attractive to 5-year-olds. He is a hero instead because on April 8, he stood at the dais of the National Press Club in Washington and let Congress know that if it wanted to legislate his industry into oblivion, it could do so without his help. The man who marched his industry's C.E.O.'s into cease-fire negotiations with the states was marching them back to war. "I finally saw that there wasn't a chance in hell of any resolution to this problem in the near future," he says.

Goldstone's pullout wasn't entirely impetuous: the C.E.O.'s had all been stewing for some time about the Republican Congress's election-year conversion to the anti-tobacco cause. But it was still something of a cliff jump. Goldstone says that he made his announcement with only the cloudiest sense of his industry's future. "It would scare my shareholders to know this, but in my own mind I do not have an endgame plan," he would tell me later. "The only thing we can do now is continue fighting."

After the annual meeting, Goldstone sinks into the back seat of his chauffeured sedan and considers his fate, as laid out to him by the crusaders. "So, I'm going to jail or I'm going to hell," Goldstone says. "Some choice."

ONE YEAR AGO, WHEN GOLDSTONE AND HIS fellow tobacco C.E.O.'s approved the agreement with 40 state attorneys general, they be-

Jeffrey Goldberg is a contributing writer for The Times Magazine. His article about the Teamsters appeared in February.

ABOVE: JESSICA PERSSON/AGENCE FRANCE-PRESSE; UPPER RIGHT: MARK PETERSON/SABA FOR THE NEW YORK TIMES

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Burned

What do you think smokers would do if they didn't smoke?" Geoffrey C. Bible, the C.E.O. of Philip Morris, asked. "You get some pleasure from it, and you also get some other beneficial things, such as stress relief. ... Maybe you'd beat your wife."

lieved it would put an end to their troubles. In exchange for protection against future lawsuits, the C.E.O.'s agreed to pay the states $368.5 billion over 25 years and many forms of advertising and accept F.D.A. oversight of their product. For an industry that had never ceded a penny to its foes, this was a landmark moment, irrefutable evidence, the tobacco chiefs believed, of their good will.

In the months that followed the June 1997 signing, however, it became clear that the public-health lobby, the White House and Congress — which would have to legislate the settlement into law — all believed, for reasons ranging from the idealistic to the mercenary, that $368.5 billion was quite a small price to pay for absolution. Nine months after signing the agreement, when Senator John McCain, the Arizona Republican, introduced a bill that would nearly double the tax on a pack of cigarettes proposed in the settlement with the states, Goldstone decided that the process was "off the rails." And so, the pullout.

What he was pulling out of no one was sure, since McCain's Commerce Committee barred Big Tobacco's lobbyists from the bill-writing process. "I could not allow these people to have veto power over the bill," McCain told me. Newt Gingrich, the ardent, if recent, foe of tobacco, gave me his explanation for why Congress would no longer listen to tobacco's arguments: "Their deliberate mendacity for a generation earned them exclusion." Referring to Goldstone's pullout, the speaker said, "I thought it was an irrelevant act."

But it wasn't. All along, advocates of a comprehensive settlement argued that industry cooperation was necessary to cut the rate of teen smoking, and it was the fight against teen smoking — not the raising of tax revenue — that was the ostensible reason for the entire process. President Clinton apparently felt Goldstone's participation was important enough that, shortly after his speech at the National Press Club, he secretly dispatched Senator John Breaux, the Louisiana Democrat, to New York, where he tried to figure out what it would take to get Goldstone and the C.E.O.'s back in the process. Breaux left New York empty-handed.

Today, anti-tobacco legislation is moving tortuously through Congress. The tobacco companies have launched a campaign to convince American smokers that Congress is trying to oppress them with new taxes. "The slowdown in momentum is the result of $50 million of advertising by the tobacco companies," Vice President Al Gore told me. "There's no question it's easier for us to pass this with the companies inside the tent. But we will pass it."

I ASKED GOLDSTONE ONE DAY WHY HE believes tobacco's enemies, faced with a C.E.O. who claims he's ready to compromise, would rather make war than reach a peaceful settlement.

"They're more comfortable demonizing us than anything else," he replied. "They think they can demonize us out of this business, and when you try to explain to them that this product is not disappearing, it only angers them more. It isn't a resolution they're looking for, it's eradication. In political terms, that's prohibition." He paused and then added: "This process is now completely irrational. I didn't count on vengeance being a part of it. Not at all."

None of the chief executives of the four major American cigarette companies counted on vengeance. They still do not seem to appreciate how bottomless the well of anti-tobacco feeling in America really is. Nor are the C.E.O.'s convinced that they are the authors of their own misery. In fact, Goldstone is the only one to acknowledge that real ethical lapses on the part of the tobacco industry, and not just failures of public relations, account for the industry's current predicament. His fellow C.E.O.'s, in recent interviews with me, spoke with surprising defiance.

Geoffrey C. Bible, the C.E.O. of Philip Morris, which produces 50 percent of the cigarettes sold in America, is in absolutely no mood to apologize. Unlike Goldstone, he has been a real tobacco man for nearly 30 years: at one point he oversaw the sale of Marlboros in nearly 200 countries. He is Australian-born, 60 years old and an enthusiastic smoker.

"Do I feel badly about selling cigarettes?" he says. "No, I do not, and I don't know why I should. I feel badly about children smoking cigarettes, but I don't know how to deal with that. I tell you, I feel worse about under-age people getting alcohol more so than cigarettes."

In a recent conversation at Philip Morris headquarters in New York, Bible even argued the merits of smoking. "There's an interesting question you should ask the public-health people," he said. "What do you think smokers would do if they didn't smoke? You get some pleasure from it, and you also get some other beneficial things, such as stress relief. Nobody knows what you'd turn to if you didn't smoke. Maybe you'd beat your wife. Maybe you'd drive cars fast. Who knows what the hell you'd do?"

A few blocks away, at the headquarters of the Loews Corporation, whose subsidiary, Lorillard Tobacco Company, manufactures nearly 9 percent of the cigarettes sold in this country, the defiance was even more palpable.

"There are only four companies in America that care about youth smoking and want to stop it," Laurence A. Tisch, co-C.E.O. of Loews, told me. "Those companies are Lorillard, Brown & Williamson, R.J. Reynolds and Philip Morris. We're the only four genuine people out there. Everybody else is giving it lip service."

The tobacco C.E.O.'s are not exactly friends; that would look too collusive, and besides, they are all in terrible competition with one another, each fighting for market share in a slowly shrinking business. "We don't trust each other on financial issues one jot," Nick Brookes, the C.E.O. of Brown & Williamson Tobacco Corporation, told me. But by virtue of often being sued collectively, they communicate with some regularity, meeting face to face — with their lawyers present — to discuss common strategy. As a result, they have managed to come to unanimous decisions on several key issues: in a recent state anti-tobacco case in Minnesota, for instance, they all agreed to settle with Minnesota's Attorney General — for $6.5 billion — rather than take their case to the jury. This was done, they claimed, out of deference to RJR Nabisco's tenuous financial situation: "If they'd have listened to me, we would have gone to verdict in Minnesota," Tisch said. "And I would have appealed if we lost. But RJR couldn't have survived that." Bible, too, deferred to Goldstone's thinking. "We'd be the last to go bankrupt, because we're the biggest," Bible said.

Philip Morris had sales last year of $72 billion, $40 billion of which came from tobacco (and of that, international sales contributed two-thirds). RJR Nabisco is in far more tenuous shape; without the $1.4 billion in annual operating profit made by its tobacco subsidiary, the company could barely afford to service its annual debt. Despite RJR's shaky financials, Goldstone — a "smart fella," Bible allows — seems to have emerged as the chief theoretician of the four. Brookes and his superior, Martin Broughton, the London-based C.E.O. of B.A.T. Industries, are the bad boys of the bunch. Broughton and Brookes have gone along with Goldstone's ideas only grudgingly at times.

Tisch, a billionaire who is the king of New York philanthropy, is said by his fellow C.E.O.'s to be the one who feels most keenly betrayed by Washington. Like Goldstone, he is not a tobacco man — he says he has visited the North Carolina headquarters of Lorillard just once in the

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Burned Up

Things turned decisively bad for the industry when the F.D.A. Commissioner, David Kessler, convinced the Clinton Administration that smoking was 'a pediatric disease.' 'It was Kessler's tactical brilliance to call tobacco a children's issue,' Goldstone said. 'We couldn't beat that.'

32 years he has controlled the company. His anger, he says, grows from what he calls the irrational vilification of a legal industry.

"When the [illegible] undermined in America, then you've accomplished everything the fascists will want to in, to do 25 years from today," he told me. Under cover of a children's crusade, he argues, Washington is engaged in a huge tax grab. "The Big Lie is prevailing," Tisch says. "The Big Lie is that these companies were ever marketing to children. What worries me is that if you can get away with this against a legitimate industry, what could be the next big lie? This is McCarthyism."

Like Tisch, Bible believes dangerous historical forces are motivating the anti-tobacco crusade.

"The American people fought a war for freedom," he said. "It was an ugly, horrible war that engulfed the world. We fought that war for the freedom to choose. Hitler and Hirohito were going to take that away from us. We fought vehemently to prevent that from happening."

Are you equating our opponents to Hitler and Hirohito? I asked.

"I'm not going to say that at all," he responded, "but I think we've seen [illegible] individuals influencing a whole nation."

The individuals to whom Bible is referring, he makes ringingly clear during the course of conversation, are Dr. Koop and Dr. David Kessler, the former Commissioner of the Food and Drug Administration — the two enemies of tobacco generally credited with (or blamed for) sinking last year's settlement.

Goldstone, by contrast, does not spend much time predicting a blitzkrieg of health fascism. He will even concede that Koop and Kessler know what they're talking about. "They don't know what gives an individual pleasure," he says, "but I have absolutely no doubt they know what's best to prolong a person's life."

But Goldstone is angry, to be sure, and he believes that McDonald's and other purveyors of fatty foods, including his own company — Nabisco's franchise is built on the Oreo — will one day feel the negative of the health police. "It's my luck as a chief executive that I'm going to get it both ways," he said.

"HERE'S SOME UNSOLICITED ADVICE FOR MR. Goldstone," Newt Gingrich told me. "I would sue those lawyers who negotiated the initial settlement for you, for having you think that Congress would rubber-stamp that deal."

The settlement between the tobacco industry and the state attorneys general was seen by the industry's executives as the crowbar they would use to extricate themselves from their legal troubles. And many in the public-health community saw it as a chance to leverage the industry's help to reduce youth smoking. In retrospect, it should have been obvious that Congress would not let the state attorneys general — and the plaintiff lawyers they had hired to sue the tobacco industry — dictate the terms of the deal of the century. Goldstone, for his part, still thinks negotiating with the states was his only option. "We could not continue to be seen as a renegade industry," he says. "We had to come into the process for our long-term well-being. As a conceptual matter, it was not a mistake." Goldstone has said the obvious: as a matter of pragmatic politics, it has been, so far, a catastrophe.

Goldstone was made C.E.O precisely because he was a lawyer well skilled at complex negotiating. His assignment from RJR Nabisco — his first experience as a C.E.O. — was to rescue the company from the bog of perpetual litigation. This would be a lifesaving mission for RJR Nabisco, which still chokes on its considerable debt, the byproduct of the notorious leveraged buyout of the company a decade ago.

"I took this job because I thought I had a set of skills and an opportunity to resolve a very dangerous problem for this company," he says. The job offered other opportunities, of course. He makes $3 million a year, which doesn't include stocks and options.

Critics of the settlement within the industry say the companies would have been better off staying in the court system, where they had something akin to a home-field advantage. Though it has become widely accepted that the cigarette makers are responsible for addicting adults to their deadly product, juries don't generally hold companies liable for an individual smoker's death.

When I raised this with Goldstone, he said: "Why not just stay in the courts? It's a judgment that I made. The opportunity was so unique — I was able to go to the board, to the shareholders and to the employees who own stock and say, 'What is the point of producing earnings if nobody puts a value on them?' We're getting Pyrrhic victories in these cases, because nobody is putting a value on our earnings."

Call it Coke envy: the tobacco companies are revenue machines, and yet the stock market, fearing the instability of endless litigation, is not embracing them as they do other consumer-products giants like Coca-Cola. "The likelihood of a long-term healthy future for this industry, or even for a manageable decline, became more and more unlikely," Goldstone said.

Only in recent years has anti-tobacco feeling in this country become a menace to unimpeded profit-making by the tobacco companies. Since 1964, when the first Surgeon General's report on smoking and health was issued, the anti-tobacco lobby has slowly but steadily gained strength, aided by, among other things, the exploitation of fears about secondhand smoke. Tobacco is now being cast as a public menace, not as a private choice.

But it was in 1994 that things turned decisively bad for the industry. It was during that year that seven tobacco executives, testifying before Congress, told a disbelieving country that nicotine was not an addictive drug. The hearings may have been more about political theater than science, but it no longer mattered. Soon after, the F.D.A. Commissioner, David Kessler, citing figures showing that 90 percent of adult smokers picked up their habit by the age of 18, was convincing the Clinton Administration to define smoking not as an issue of "adult choice," as the industry would have it, but as "a pediatric disease."

"It was Kessler's tactical brilliance to call tobacco a children's issue," Goldstone says. "We couldn't beat that."

The industry was becoming more hated with each passing day. The steady flow of damning documents, released under pressure by the companies — and by whistle-blowers inside the companies — was poisoning public opinion against them. In early 1996, Goldstone floated the idea of a comprehensive settlement in a pair of newspaper interviews. The states were lining up, one after another, to take their best shots at the tobacco industry, and Goldstone decided it would be best to fight their lawsuits all at once. In a series of conversations with the other C.E.O.'s, he found them surprisingly ready to listen to a radical new game plan. "We had 40 years of confrontation," Bible said. "We were looking for a new route. There had been this uplift in society's concern about youth smoking, which I think had been fueled beyond reason by parties on the other side."

Tobacco's adversaries — under the leadership of the Mississippi Attorney General, Mike Moore — understood the gift handed to them by the F.D.A. "The companies knew that us screaming about children was hurting them," Moore said. "They knew that the F.D.A. would hurt them."

After 100 days of closed-door talks, a deal was struck that would see the companies voluntarily restrict many forms of advertising, accept F.D.A. oversight and pay $368.5 billion to the states, much of the money dedicated to cigarette-control programs. In exchange, the companies

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The extinguishers: C. Everett Koop, the former Surgeon General, and David Kessler, the former F.D.A. Commissioner, at a Senate Agriculture Committee hearing last September. Right: Senator John McCain, whose proposed bill helped derail the settlement between the states and tobacco companies.

would receive immunity from state and class-action suits. In truth, this was a better deal than the anti-tobacco forces originally thought possible. And yet the industry's seemingly conciliatory stance was like blood in the water. No one believed the tobacco companies when they said they were making huge sacrifices, because by now no one believed the tobacco companies on anything. The White House refused to endorse the settlement; members of Congress, seeing an industry willing to start with a few hundred billion dollars, thought they could wring a few hundred billion more out of it, and public-health lobbyists derided the settlement as a cave-in to evil.

"People thought because we were taking our armor off that we were showing our weakness, and that now was the time to really turn the screws on us," Goldstone said. "That was my miscalculation. It wasn't important to Koop and Kessler that it was good for public health. It had to be bad for us. God of vengeance. Here in one fell swoop was more regulation than Dr. Kessler ever dreamed of. And we just weren't ready for peace."

That's right, Kessler told me, exposing the chasm that separates the cultures of commerce and public health.

"I don't want to live in peace with these guys," he explained. "If they cared at all for the public health, they wouldn't be in this business in the first place. All this talk about it being a legal business is euphemism. They sell a deadly, addictive product. There's no reason to allow them to conduct business as usual."

Though Goldstone is familiar with the argument, it still flusters him. "I have no moral view of this business," he told me. "I viewed it as a legal business. You shouldn't be drawing a moral judgment about a business our country says is perfectly legal and is taxed like crazy by it."

The C.E.O.'s didn't fully see that they stood alone in appreciation of their immense sacrifice until they went to Capitol Hill to lobby for the settlement's approval. Mike Moore, who negotiated the settlement on behalf of the states and now found himself arm in arm with the tobacco companies, lobbying together on behalf of the agreement, admits to a crucial miscalculation himself. "The companies convinced us that they had some juice on Capitol Hill, that they could sell this settlement," Moore told me. "But what I asked them during the McCain bill process was, 'Where are your guys? Who will stand up for you?'

"We're a victim of our success," he said, referring to the state attorneys general. "For four solid years we vilified the industry."

No one would stand up for the tobacco companies, including the Hill's most powerful Republicans, who were not inclined on most days to agree with David Kessler on anything. "What turned it for me was when one too many lobbyists came to see me on behalf of the settlement," Gingrich said. "This revealed to me that they wanted this deal too badly. Anyone who would lobby this hard for a deal knew the deal was good for them."

From the tobacco industry's perspective, the abandonment of its interests by so many of its putative friends in Washington is an example of the sort of political hypocrisy that steals the breath from mere mortals. How else to explain the case of Newt Gingrich, they ask. Though he opposes McCain's tax provisions, the Speaker is more strident than McCain on the issue of liability protection — he opposes any protection at all — and, after some missteps, he has recently been trying to make good on his vow never to let the President get to his left on tobacco.

"Both my father and stepfather died of lung cancer," Gingrich told me at the outset of our conversation. "The House is inclined not to pass liability protection of any kind, and we are likely to turn over tobacco to the F.D.A. for regulation."

Gingrich, who until recently was a relentless basher of David Kessler and a happy beneficiary of tobacco-industry donations, sees in his party's abandonment of the industry a sterling example not of hypocrisy, but of true representative democracy.

"This is the greatest argument against the Common Cause view of money in politics," he said. "I don't care how much they gave in the past, or how much they will give in the future. The cigarette makers do not deserve our protection."

The hypocrisy cuts across party lines, the C.E.O.'s say. For Tisch, it is Vice President Gore who disappoints. Gore and Tisch are friends; Gore spoke four years ago at an elaborate testimonial to Tisch. And now, he vilifies Tisch's industry at every turn.

"Remember the speech he made in which he said he was a tobacco farmer, how he chopped it and sold it?" Tisch asked, referring to a famous 1988 Gore speech, one that he surely wishes today he never made. "He made that speech four years after his sister died of lung cancer, which is why he said he was going to fight the tobacco industry."

I asked Tisch if he felt betrayed.

"Believe me, I'm beyond that," Tisch said. "He's the same as all of them." ("Larry is a friend," Gore told me, "but I respectfully disagree with him on this issue.")

IT IS FAIR TO SAY THAT NO POLITICIAN would like to be photographed with a tobacco C.E.O. in advance of an election. But it is not entirely true to say that the industry has been abandoned by Congress. There is no one on Capitol Hill who will argue in favor of smoking, but the industry, by reminding the Republicans through advertising that they are opposed to tax hikes, has in its corner a significant number of conservative legislators. It is from within this group that most of the opposition to grand-scale anti-tobacco legislation comes.

Bad signs for Big Tobacco abounded long before the Senate Commerce Committee finished its business. When President Clinton's budget proposal was released in February, it was clear the White House was expecting tobacco tax revenue far greater than what had been in the

LEFT: JOE MARQUETTE-ASSOCIATED PRESS. RIGHT: STEPHEN CROWLEY-THE NEW YORK TIMES

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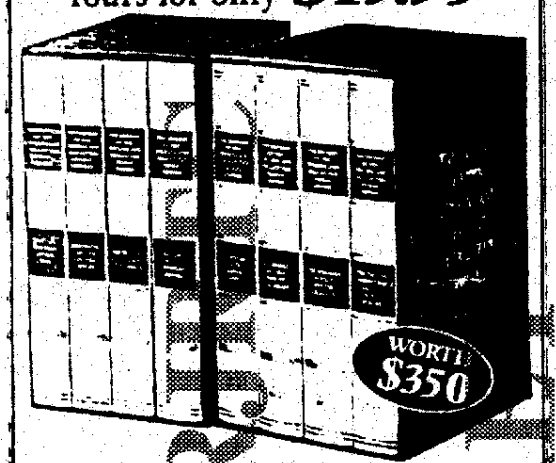

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settlement. Goldstone took that as a bad omen, but he said he knew he would have to oppose the process for good the day he learned that the McCain bill contained a provision ordering the removal of all animal images from packs of cigarettes.

"This wasn't referring to Joe Camel," he explained. "This was referring to any animal at all. The 80-year-old picture of a camel we have on our pack, this was now too dangerous to be seen by the American public. That was it for me." And so Goldstone wrote up his speech and faxed it to the C.E.O.'s. They gave him their immediate approval.

Goldstone's break with Washington meant, in effect, that the industry would no longer accede without a court fight to advertising restrictions, as well as to the so-called "look back" provisions, which would extract even more money from the companies if teen smoking failed to drop according to a preset, and rather optimistic, timetable. The speech stunned official Washington, which believed that the tobacco companies had been shamed into silent acquiescence.

The Goldstone speech had a very different effect in Winston-Salem. Executives at Goldstone's tobacco subsidiary had feared that their C.E.O., the industry naif, had been selling them out. But now it seemed that Goldstone was finally delivering *their* message: tobacco is an honest business worthy of a strong defense.

"I'M VERY, VERY PROUD OF Joe Camel," Lynn Beasley was telling me. "I'm proud we did it."

We were sitting in Beasley's office in the R.J. Reynolds tower in downtown Winston-Salem. She is the company's executive vice president for marketing, the woman behind Joe Camel. She is also a dedicated smoker. After her 10th cigarette in under an hour, I asked her if she was addicted. "Oh, no," she said, smiling. "I smoke for the pleasure of it." Suffice it to say that none of the R.J. Reynolds executives I met said they smoked for any reason other than pleasure.

One notorious RJR document stated that the Joe Camel campaign was deliberately designed to "youthen" the brand. Joe Camel had indeed increased the Camel brand's share of the 18-24 "young adult" market; but the campaign had proved a public-relations disaster for the industry — a visual aid in the argument of Kessler and others that Big Tobacco was out to hook children. Lynn Beasley's work on Joe Camel interested me because if, indeed, it is all "a big lie," as Laurence Tisch says — that the companies never intentionally marketed to children — then it would be Lynn Beasley who could best make that argument.

I asked Beasley how the Joe Camel campaign came about.

"Camel had a bad perception," she said. "It was considered a harsh, old product. Marlboro was growing like crazy and that's our competition. I set out on a mission to convince Marlboro smokers to switch to Camel."

Your mission wasn't to attract new, young smokers?

"Oh, there's no link between advertising and people starting to smoke," she said, before continuing. "It happened that in 1988, Camel was going to be 75 years old. We had just zillions of ideas of how to celebrate this, and there was this old poster from France of a camel. Everybody in the room went, 'Love that guy, he's great!'"

Did you ever think Joe Camel would be attractive to kids?

"We were just looking at adults and adults liked it so well, so at the time it just did not cross my mind," she replied.

Over her shoulder, on a shelf near her desk, was a display of Joe Camel collector's packs. The packs were illustrated with images of the cartoon camel on motorcycles, playing the saxophone, on the beach.

Now you're saying that those packs wouldn't be attractive to a 14-year-old? I asked.

"We definitely target an age group," she said. "In this case it's young adult smokers. Is it likely that some children would like that campaign? I would be the last person in the world to tell that that's impossible."

So, then, if your advertising is skewed to appeal to an 18-year-old, you're saying that it would also be attractive to 17-year-olds?

"There is more difference between 17-year-olds and 18-year-olds than probably any other age," Beasley said. "That's when you go out on your own. You have the right to vote. You have the right to gamble."

She pauses to light up another cigarette. "It's just so discouraging how people can think this way about us when what we do is the opposite of what they think," she says. "It's like Richard Jewell. Everybody assumed he did it. It's the same thing with us. They just assume that we're marketing to children."

It is more than an assumption. Internal company documents suggest strongly that its marketing executives were interested in attracting smokers as young as 14 to their brands. For instance, a 1990 letter from a sales manager to his field representatives advised them to pay special attention to convenience stores near high schools; a 1980 memorandum bemoaned Philip Morris's stranglehold over "14-17-year-old smokers," and, most interestingly, a 1975 document stat-

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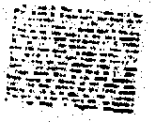

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Continued from page 42

ed that "to insure increased and longer-term growth for Camel Filter, the brand must increase its share penetration among the 14-24 age group which have a new set of more liberal values and which represent tomorrow's cigarette business."

When I mentioned these documents to Beasley, she dismissed them, saying, "They brought out these old documents from like 20 years ago."

IT WAS GOLDSTONE WHO HAD INvited me to meet in Winston-Salem with Beasley and other executives of his tobacco company, and only later, when I sat down with him in New York, did I realize why. He is canny and deliberate, and he had arranged the meetings, I believe, in order to show me the pressure he's under from within his organization. He uses his tobacco executives as a foil: they're the extremists and he's the moderate, trying to keep them in check and save their jobs at the same time. "When people said the Joe Camel campaign was attractive to children," Goldstone said, "I could not look at it and say, 'That's complete hogwash.' This was the toughest fight I had down there. But it was my strong view that Joe Camel's time had come and gone."

I had brought some RJR documents to the meeting with Goldstone, and one of them concerned a survey conducted for the company on smoking habits, including those of 14- to 17-year-olds. "This stuff is no good," he said. "I'm not going to argue with you. The people in Winston-Salem, to their dying day, will tell you there is nothing wrong with these documents. I can't tell you that people down in our company in Winston-Salem may not hope that 16-year-olds who smoke smoke our brands. If you're asking how I react to it, negatively, man, negatively."

What about this document? I asked, pointing to the 1990 memo concerning convenience stores near high schools.

"That guy was fired for that," he said coolly.

But, I asked, do you understand how an anti-tobacco climate could be created by documents like these? Goldstone: "The guys down in Winston-Salem and at Philip Morris blame Kessler and Koop for creating a frenzied, Nazi-like environment in this country. But anybody who looks at the history cannot just blame Dr. Kessler for this situation without accepting blame in part for your own conduct."

WHEN GOLDSTONE LEFT WASHINGton after his April 8 speech, it was assumed on Capitol Hill that his

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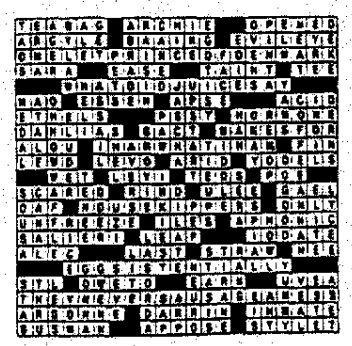

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withdrawal was provisional — that this was the act of a seemingly moderate skilled negotiator holding out for the best deal. Goldstone says that Capitol Hill misunderstood him. "I'm finished with those people," he says.

Goldstone makes it clear that his battle in the coming months is not just with Congress. One of his missions, he says, is to fight the states. The absolute worst scenario for RJR Nabisco in the coming year is a big-dollar verdict against the industry in one of the continuing state cases. (Since there is no comprehensive settlement in place, the state lawsuits against the industry are continuing to move forward.) Such a verdict, Goldstone warns, could drive his company into bankruptcy.

"This is what would happen if we had to go into reorganization," he said. "Any judgment against us would be stayed, the states wouldn't get their money, the shareholders of the company would suffer, all of the lawsuits against the industry would grind to a halt. The only thing that will still be going the day after is that we'd still be making cigarettes. . . . What have these public-health people achieved in 40 years? They think they'll end smoking by bankrupting us, but believe me, that's not going to happen."

Most of Goldstone's critics belittle talk of bankruptcy as scaremongering. "The addicted consumer is the best consumer," Koop said. "They'll never go bankrupt. They'll pass through their costs to their addicted customers."

But Goldstone argues that bankruptcy is a real possibility — "I don't expect that Dr. Koop ran his own numbers on RJR" — and that a bankrupted industry could mean the formation of new tobacco companies with no history, and therefore no liability for past practices. Goldstone sounds almost fearful when he mentions that scenario.

But bankruptcy, even for RJR Nabisco, the company closest to the edge, does not look plausible right now. Judges overseeing pending cases in several states have recently issued rulings favorable to the industry, and tobacco lawyers remain confident, despite a verdict earlier this month by a Florida jury that marked the first time any

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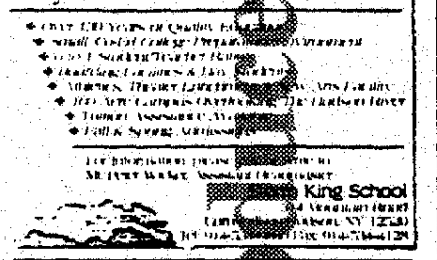

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jury has awarded punitive damages to the family of a deceased smoker.

The next, more likely scenario is passage in Congress of some combination of tax hikes, advertising restrictions and punitive look-back provisions — with no liability protection for the industry. "I think we'll eventually see something out of Congress that contains some of the McCain bill's measures," Goldstone said.

I asked Goldstone what he thinks he will do the morning after the President signs such a bill into law. He then outlined for me his strategy: in essence, a ground war and an air war.

The ground war: "We have got to defend ourselves. We will spend years in the courtroom, and we will do every possible thing to fight for our rights." He admits there is not much he can do to prevent new taxes, but on key provisions like look-back measures and advertising restrictions, Goldstone says he believes he can prevail. "Obviously the government can tax you all it wants," he said. "But it can't take away our constitutional rights." Among those who agree is Floyd Abrams, the First Amendment lawyer who is not currently representing the tobacco industry, but has in the past. On advertising restrictions, Abrams said, the companies have powerful arguments to make in court.

"I think that most of the advertising restrictions are so likely to be ruled unconstitutional that the industry's chances of getting an immediate stay of any restriction are good," Abrams said.

There is a wide debate on the constitutionality of advertising restrictions — the F.D.A., which would enforce advertising bans, has made persuasive arguments that it has the right to oversee the labeling and advertising of any product under its purview. But Goldstone knows that, at the very least, he can hamstring these provisions for years.

Goldstone's air war — his campaign to convince the American people that the foes of tobacco are extremists — has already begun. It represents for the industry a shift away from Congressional lobbying. "I am very confident," he said, "that the American people are more willing to listen than the people in Washington are."

None of the companies say they will stop donating money to either party, but Goldstone says this is no longer his focus. "There are still people in Congress who are in support of individual liberty," he said. "They don't like us, but they don't like nannyism either. Where I feel more confident is in talking to the American people. I have a podium because I've only been in this business a couple of years."

The industry is spending millions to convince the American people that, in Goldstone's words, the only law Congress will pass will be "the law of unintended consequences."

The centerpiece of this campaign is advertising designed to put the fear into ordinary Americans of an exploding black market in cigarettes. A flourishing, violent black market is the inevitable consequence of a substantial hike in the price of cigarettes, the industry argues. A black market in full-strength cigarettes could develop, too, they say, if the F.D.A. is allowed to mandate severely lower nicotine levels in cigarettes.

Critics of the industry contend, however, that a black market could develop only if the tobacco companies help fuel it. In Canada, a black market erupted when high taxes were slapped on cigarettes in the late 1980's. American and British tobacco companies and their Canadian affiliates were widely believed to be feeding the black market.

Industry critics also note that when the tobacco industry agreed to a 65-cent-per-pack tax increase contained in the 1997 settlement, they weren't worrying about a black market. Now that a $1.10 increase is on the table, the companies, according to John McCain's chief tobacco negotiator, John Raidt, "are yelling about black markets and murder and mayhem and beating up working people. They never said anything when it was 65 cents."

Goldstone, who said that the 65-cent hike would have been instituted only gradually, believes that a $1.10-per-pack increase is just another sign that tobacco's foes have gone to extremes.

"What they're saying is, Let's make it impossible for these idiots who smoke and don't know what's best for them, let's make the price so high that we virtually have prohibition without saying it," Goldstone said. "But the American people think prohibition is unworkable."

Goldstone points to recent polls that suggest a majority of Americans now see the tobacco legislation as a money grab, rather than as a public-health measure. He is convinced, he said, that the public will eventually tire of tobacco-bashing.

"The documents are out," he says. "We know the 40 years of bad history. How much can they flog it before people say: What's the policy behind this? What's the implication for this country?" But what he may not fully grasp is just how dirt-low his industry's reputation is. This, too, is reflected in the polls, but polls he doesn't mention.

It is fine in 1998 for a tobacco chief to admit that cigarettes are addictive and that they may cause cancer. But the public-health community — and the Congress it now owns in much the same manner that Big Tobacco once owned it — is not ready to accept the industry's admissions and be done with it.

"After you analyze their conduct over the past 30 years, it's not Goldstone's right to say, 'O.K., let's go on,'" David Kessler says. "The tobacco C.E.O.'s used to say that if somebody proved a link between cancer and cigarettes, they wouldn't sell them. So now they admit that it causes cancer, but they'll sell it anyway. These are not people who deserve to be negotiated with as partners."

Goldstone says he understands that the public-health community is not ready to give up, so he is committed to fight back, for as long as it takes.

"You know, it's really kind of a three-pronged plan we have," he told me during our last conversation. "It's fighting in court, and taking our message out, plus it's making sure we fully exercise our right to compete. I know these guys love to put this in moral terms, but if they can't convince Congress to ban this product, we don't have any choice but to sell it. As far as I'm concerned, the day after any bill passes, we'll be selling cigarettes." ■

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February 29, 1984

TO: Mr. G. H. Long
Mr. M. L. Orlowsky
Mr. H. J. Lees

FROM: Diane S. Burrows

YOUNGER ADULT SMOKERS:

STRATEGIES AND OPPORTUNITIES

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MDD ABSTRACT FORM

PROJECT NUMBER	None

TITLE:
Younger Adult Smokers: Strategies and Opportunities

AUTHOR:
Diane S. Burrows

DATE STARTED:	DATE COMPLETED:
---	2/29/84
TYPE OF RESEARCH: Strategic	**SECTION MANAGER:** R. C. Nordine

ABSTRACT:

Younger adult smokers are shown to be critical to long term brand/company growth in the past, present, and future. Younger adult performance of the six major brands of the last half century was analyzed to identify four common strategies/circumstances leading to their younger adult strength. They capitalized on:

1. Changes in external factors.
2. Growth sectors among younger adult smokers.
3. Out-of-touch competitors.
4. Product mildness, communicated positively.

Key recommendations include:

1. Establishment of a separate younger adult smoker program/unit, with customized procedures/measures, improved information resources, and a less competitor-centered focus.

2. Attention to Blacks, Hispanics, females, social acceptability, pricing, and potential enhancement of product acceptability.

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KEY WORDS

Younger Adult Smokers	Kool	Hispanics
Pall Mall	SALEM	Women
WINSTON	Newport	Social Acceptability
Marlboro	Blacks	Pricing

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YOUNGER ADULT SMOKERS:

STRATEGIES AND OPPORTUNITIES

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YOUNGER ADULT SMOKERS:

STRATEGIES AND OPPORTUNITIES

MANAGEMENT SUMMARY

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PURPOSE

This is intended to assist RJR in optimizing its strategic position with respect to younger adult smokers (18-24) by clarifying their importance versus smokers 25+, identifying strategies which have been most effective against younger adult smokers in the past, and applying this learning to RJR and its current environment.

This summary provides a broad overview of the most critical points and key ideas in the report. However, it was necessary to omit many important points in order to be brief, and readers are encouraged to read the entire document.

THE IMPORTANCE OF YOUNGER ADULT SMOKERS

Younger adult smokers have been the critical factor in the growth and decline of every major brand and company over the last 50 years. They will continue to be just as important to brands/companies in the future for two simple reasons:

- The renewal of the market stems almost entirely from 18-year-old smokers. No more than 5% of smokers start after age 24.
- The brand loyalty of 18-year-old smokers far outweighs any tendency to switch with age.

Thus, the annual influx of 18-year-old smokers provides an effortless momentum to successful "first brands".* Marlboro grows by about .8 share points per year due to 18-year-old smokers alone.

On the other hand, brands/companies which fail to attract their fair share of younger adult smokers face an uphill battle. They must achieve net switching gains every year to merely hold share. By not attracting its fair share of 18-year-old smokers, RJR yielded a .5 point ingoing share advantage to PM in 1983.

Marlboro and Newport, the only true younger adult growth brands in the market, have no need for switching gains. All of their volume growth can be traced to younger adult smokers and the movement of the 18-year-olds which they have previously attracted into older age brackets, where they pay a consumption dividend of up to 30%. A strategy which appealed to older smokers would not pay this dividend.

* i.e., those which appeal to 18-year-old smokers rather than switchers ages 19-24.

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In every sense, companies with strong younger adult brands hold the high ground, standing above the increasingly difficult and costly battle for switchers. Today, only Philip Morris and Lorillard are growing among younger adult smokers; RJR is losing about a point per year among this group.

SUCCESSFUL YOUNGER ADULT BRAND STRATEGIES OF THE PAST

A review of the five key brands in the last half century -- Pall Mall, WINSTON, Marlboro, Kool, and Newport -- shows that each built considerable strength among younger adult smokers well ahead of its upsurge in market share. Their strategies succeeded almost invisibly, hidden from competitors in the critical but low-volume younger adult smoker market.

The positionings of these brands have all been very different, but there have been important similarities in the strategies they followed. While chance may have played a role in these past successes, the analysis indicates that the key elements can be understood and purposefully leveraged if sufficient time, priority, and resources are invested.

- All of these brands took advantage of changes in the external environment that worked against or were ignored by their predecessor. The external changes included smoking and health during the 1950's, the generation gap in the 1960's, and racial pride in the late 1960's-70's. These factors affected the mix of the younger adult smoker market as well as its mindset.
- All of the brands capitalized on demographic shifts within the younger adult smoker market. Females were gaining importance when Pall Mall and WINSTON took off. Marlboro made its inroads during the 1960's, the only decade when younger adult male smokers surged in importance. The emergence of younger adult Black smokers has been pivotal to Kool and Newport. These brands succeeded by keying on the growth sectors without boxing themselves in, e.g., Marlboro was as well developed among females as males until recent years.
- In every case, the major younger adult brands have been succeeded by a brand which was positioned to be different from its predecessor and better "in-touch" with the younger adult smokers of the time. Me-too strategies have never worked.
- All of these successful brands have stressed positive product messages (as opposed to problem/solution) and have provided milder/smoother product delivery than their predecessor.

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IMPLICATIONS/RECOMMENDATIONS FOR RJR

1. Younger adult smokers are critical to RJR's long term performance and profitability. Therefore, RJR should make a substantial long term commitment of manpower and money dedicated to younger adult smoker programs. An unusually strong commitment from Executive Management will be necessary, since major volume payoffs may lag several years behind the implementation of a successful younger adult smoker strategy.

This time lag can also magnify the penalties for wrong turns in the development and implementation of younger adult smoker programs. To prevent such problems:

- RJR should develop objectives, planning procedures, and marketability criteria for younger adult brands/programs which reflect their unique, long term character. These may differ significantly from the approaches/measures which are appropriate to established brands or to new brands addressing older smokers by, for example, emphasizing consumer-based rather than volume-based action standards.

- RJR should make resources available to develop/improve its capabilities to thoroughly identify and track demographics, values, wants, media effectiveness, and brand performance within sectors of the younger adult smoker population. These tools will be critical to the development and implementation of effective programs addressing younger adult smokers.

- Because of the sensitivity of the younger adult smoker market, brand development/management should encompass all aspects of the marketing mix and maintain a long term, single-minded focus to all elements -- product, advertising, name, packaging, media, promotion, and distribution. Tactics which could negatively affect the integrity of the strategy should be avoided.

2. RJR should seek to better understand and capitalize on the factors/strategies which have succeeded for younger adult brands of the past. Since RJR's processes/tools have been better attuned to switching efforts than to "first brand" strategies, time and learning will clearly be required to fully assess the opportunities available through these avenues.

It should be noted that the new/established brand programs in the 1984 Plan already address the major issues/trends identified below, within the framework of current knowledge/processes. These Plans should continue as a basis for RJR's 1984 marketing efforts, but should be enhanced by a full-time dedication of resources to ensure a solution to the problem.

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- External factors of key interest are social acceptability, which could revolutionize the future market, and pricing, which has been critical in 1983. Both will require careful understanding and execution to reach younger adult smokers.

- The key demographic growth sectors among younger adult smokers are Blacks, Hispanics, and females. In terms of wants, the desire to "move up in the world" is likely to become even more intense, but expressed in more entrepreneurial ways. Based on history, these opportunities could be realized by brands with a balanced younger adult base as well as, perhaps, narrowly targeted ones.

- The key out-of-touch competitor is Marlboro, which now relies more on younger adult identity/belonging generated by its own users, rather than on the "masculinity" of its advertising. Marlboro is too broad (half the younger adult smoker market) to be addressed as a single competitor and should be attacked by a variety of younger-adult-centered rather than competitor-centered strategies. RJR should emphasize innovative points of difference from existing brands in attacking the younger adult smoker market, using head-on/imitative efforts primarily as defensive measures.

- Philip Morris may have recognized Marlboro's vulnerability and be using it as a "feeder brand" for Virginia Slims and Merit. This increases these brands' importance as competitive targets.

- Among RJR established brands, VANTAGE has the best switching performance versus Marlboro and may be able to maintain/enhance that performance.

- Product wants of younger adult smokers, especially mild/smooth/less harsh delivery, should be fully understood, reflected in action standards for RJR's younger adult targeted products, and communicated with positive copy.

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YOUNGER ADULT SMOKERS: STRATEGIES AND OPPORTUNITIES

INTRODUCTION

RJR's consistent policy is that smoking is a matter of free, informed, adult choice which the Company does not seek to influence. However, in order to plan our business, we must consider the effects those choices may have on the future of the Industry. Furthermore, if we are to compete effectively, we must recognize the imperative to know and meet the wants of those who are 18 and have already elected to smoke, as well as those of older smokers.

Purpose

This report is intended to provide additional learning on younger adult smokers (aged 18-24) to assist RJR in optimizing its strategic position with respect to this smoker group. While competitive issues, such as Philip Morris' continuing overdevelopment among 18-24 year olds, are a major focus of the analysis, the broader perspective is on the overall business opportunity which may be available to RJR through effective marketing to younger adult adult smokers.

There are five sections:

Section I, "The Importance of Younger Adult Smokers," explores the potential benefits/costs of "first brand"* or switching strategies directed toward younger adult smokers, in comparison to smokers 25+. Key elements include the impact of 18-year-old smokers on the market, the effects of aging on both smoker share and market share, and the degree of potential switching opportunity. These analyses are based on share trends from MDD Tracker, loyalty rates from the 1983 Segment Description Study (SDS), NFO switching, and consumption patterns from Tracker and government studies.

Section II, "Successful 'First Brand' Strategies of the Past," uses never-before-available information from the 1983 SDS to trace the succession of key younger adult brands over the past 50 years. This allows an analysis of the key factors which may have been important to their growth and decline, as a potential framework for RJR's present/future younger adult smoker strategies.

Section III summarizes the "Key Learning" which can be concluded from Sections I and II on the importance of younger adult strength and the means which have successfully achieved that strength in the past.

Section IV gives "Implications and Recommendations for RJR" which were derived by applying this learning to today's younger adult smoker market.

Section V, "Key Trend Detail," amplifies key recommendations from Section IV.

Appendices support the main presentation as referenced in the text.

* "First Brand" strategies appeal to 18-year-old smokers rather than switchers ages 19-24.

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SECTION I

THE IMPORTANCE OF YOUNGER ADULT SMOKERS

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I. THE IMPORTANCE OF YOUNGER ADULT SMOKERS

Within five years, younger adults (18-24) will drop from 18% to 15% of the total adult population (18+). They will continue to decline in numbers until at least 1995, as the crest of the Baby Bubble pushes farther past age 25.

This shift in the population will cause smokers aged 18-24 to fall from 16% to 14% of all smokers by 1988. Even 13% would not be surprising, since smoking incidence has been declining more rapidly among younger adults than any other age group in recent years (see Appendix A).

Why, then, are younger adult smokers important to RJR?

1. VOLUME

Younger adult smokers are the only source of replacement smokers. Repeated government studies (Appendix B) have shown that:

- Less than one-third of smokers (31%) start after age 18.
- Only 5% of smokers start after age 24.

Thus, today's younger adult smoking behavior will largely determine the trend of industry volume over the next several decades. If younger adults turn away from smoking, the Industry must decline, just as a population which does not give birth will eventually dwindle. In such an environment, a positive RJR sales trend would require disproportionate share gains and/or steep price increases (which could depress volume).

2. MARKET SHARE -- THE "FIRST BRAND" ADVANTAGE

A. ANNUAL GAINS FROM THE "NEW" MARKET

The 18-year-old smokers in the 1983 market were worth about 1.6 share of total smokers. By capturing half of these 18-year-old smokers, Marlboro gained .8 points of total smokers without needing to attract a single brand switcher. This gain was the equivalent of a successful two-style new brand introduction, with no cannibalization and no development/introductory costs.

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Furthermore, entering 18-year-old smokers account for all of Marlboro's strength among total 18-24. Loyalty rates from the 1983 SDS (i.e., the percentage of smokers who smoked Marlboro at age 18 and still do) show that Marlboro loses about 28% of its 18-year-olds by age 20 and another 14% by age 24 -- a total loss of 42% over the six years between ages 18 and 24. Translating this to share points, Marlboro would be expected to lose .3 points of its .8 points of 18-year-olds before they reach age 24. This is, in fact, about the annual total NFO switching loss found for Marlboro in recent years. (See Appendix C.) But, since Marlboro gained .8 by becoming their "first brand" at age 18, it can afford the .3 switching loss and still come out .5 points ahead.

B. THE COMPETITIVE SQUEEZE

This steady influx of 18-year-old smokers causes the pre-existing smoker market to shrink in share value: smokers who were worth 100.0% of the market at the beginning of 1983 were worth only 98.4% by year end. Thus, a brand which had a 10.0% smoker share going into 1983 and did not attract any 18-year-old smokers would drop to 9.8% even if it kept every member of its franchise. This means that any brand/company which is underdeveloped among 18-year-olds must achieve net switching gains just to break even.

As a company, Philip Morris held more than 60% of these 18-year-old smokers in 1983 versus RJR's 15-20%, yielding PM a .5 point in-going SOH advantage in 1983 due only to "new" smokers. The power of this advantage can be seen by the fact that RJR's total competitive switching gains have been twice as large as PM's during 1980-83 yet, during the same period, RJR has lost smoker share while PM has made significant gains (See Appendix D). Furthermore, PM's younger adult smoker advantage has been increasing dramatically:

	SHARE OF SMOKERS 18-24					AVERAGE ANNUAL CHANGE
	1979	1980	1981	1982	1983	
RJR	26.1	25.0	24.3	23.5	21.3	- 1.2
PM	44.8	48.8	51.5	54.0	58.4	+ 3.4

Source: MDD Tracker

C. MOMENTUM FROM AGING

Once a brand becomes well-developed among younger adult smokers, aging and brand loyalty will eventually transmit that strength to older age brackets.

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2. MARKET SHARE -- THE "FIRST BRAND" ADVANTAGE

D. LONG-TERM DIVIDENDS -- RATE PER DAY (Cont.)

Thus, the 18-year-olds who were worth 1.6 points of smoker share in 1983 were worth only 1.4 points of market share, since their consumption was below average (index of 85). However, by ages 35-49 they will be worth 1.8 points of SOM -- a 30% dividend on their original market share value. This consumption increase is the difference between having smokers 35-49 and having smokers who will age to 35-49.

t. EXTENDED BRAND LIFE CYCLE

The combination of brand loyalty, aging, and increasing usage tends to provide "life insurance" for brands which skew, or have skewed, younger adult.

For example, Marlboro relies heavily on 18-year-olds for its share growth. But if, from 1984 on, no 18-year-olds ever smoked Marlboro again, aging could let Marlboro almost hold its market share through 1990. The left side of the table below shows the contribution each age group makes to Marlboro's current smoker share and what that contribution would be in 1990 if Marlboro got no more 18-year-olds and merely moved its franchise smokers to older age brackets. On the right side of the table, the smoker share contributions are translated to market share, by factoring in rate per day differences. The bottom line shows that, even after seven years without 18 year-olds, aging could allow Marlboro's market share to hold within one point of its 1983 level.

	SMOKER SHARE CONTRIBUTION			MARKET SHARE CONTRIBUTION		
	1983 TRACKER		1990 PROJECTION	1983 EST.		1990 PROJECTION
18-24	6.8	<——	0.0	6.6	<——	0.0
25-34	6.5		6.8	6.8		7.2
35-49	3.8		7.9	4.6		9.6
50+	1.8		2.2	2.1		2.5
TOTAL	18.9	<——	16.9	*20.2		19.3

*Jan.-Dec., 1983 MSA.

Thus, even if a brand falls from favor among younger adult smokers, the younger adults it attracted in earlier years and their increasing consumption can carry the brand's market share for years, significantly extending its overall life cycle.

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3. SWITCHING OPPORTUNITY

Younger adults are more likely to switch brands than any other smoker group, i.e., they are a concentrated switching target. Their very high propensity to also switch styles within their brand suggests the latent potential for even higher rates of brand switching.

	PROBABILITY OF SWITCHING IN 6 MO.			
	BRAND FAMILY		STYLE IN BRAND	
	%	INDEX	%	INDEX
18-24	16.6%	126	21.5%	178
25-34	13.4	102	12.8	106
35-49	12.1	92	10.4	86
50+	13.2	100	11.1	92
TOTAL	13.2	100	12.1	100

Source: NFO, 1981-1983 (first half).

Younger adult brand switchers (who then remain loyal) can also contribute the major portion of their aging benefits, including increased usage, to their second brand. Thus, switching by smokers 18-24 can yield a significant part, but not all, of the share advantages associated with a "first brand". Older switchers confer less, or none, of these benefits.

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THE IMPORTANCE OF YOUNGER ADULT SMOKERS

SUMMARY

Though decreasing in number, younger adult smokers are a key market for RJR because improved RJR performance among younger adult smokers could contribute more to long term profitability and positive share momentum than could be achieved from gains in any other age group.

1. Younger adult smokers are the only source of replacement smokers.

   More than a share point of 18-year-old smokers enter the market every year. These offer a significant growth opportunity and also shrink the share value of smokers already in the market.

2. A "first brand" strategy has significant share advantages.

   - Optimum ability to capitalize on the influx of 18-year-old smokers. This gave PM a .5 point in-going advantage over RJR in 1983.
   - "First brands" compete from the high ground. They do not need switching gains to grow and can afford some switching losses. Brands which rely on older smokers must achieve net switching gains to break even on share.
   - Strength among younger adult smokers will ultimately yield growth in older age brackets. Aging has been contributing all of Marlboro's and Newport's smoker share gains among smokers 25+.
   - Aging of loyal younger adult smokers creates disproportionately large gains in market share, due to their increasing consumption. This does not accrue from gains among older smokers.
   - Younger adult strength, past or present, will tend to extend the lifecycle of a brand.

3. Younger adult smokers offer the most concentrated switching opportunity.

   - Smokers 18-24 are more likely to switch.
   - Switchers aged 18-24 can provide more share advantage from aging/ increasing consumption than switchers 25+.

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SECTION II

SUCCESSFUL

"FIRST BRAND"

STRATEGIES

OF

THE

PAST

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II. SUCCESSFUL "FIRST BRAND" STRATEGIES OF THE PAST

In the 1983 Segment Description Study (SDS), smokers of all ages were asked what brand they smoked when they were 18 years old. By using these responses to represent the younger adult market of the past, the rise and fall of key younger adult brands over the last fifty years can be analyzed. By linking these brand trends in time to demographic/social/marketing changes, insights into the factors which affected those brands and might affect a younger adult brand today can be gained.

This section traces every brand which has risen to a 10% or higher share among 18-year-old smokers since the 1930's. There have been only six, but they include the major brands of the last half century -- Pall Mall, WINSTON, Marlboro, Kool, SALEM, and Newport.

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BACKGROUND

Although their rise cannot be traced, Lucky Strike, CAMEL, and Chesterfield were the giants of the cigarette market during the 1930's. Smokers who turned 18 in the 1930's seemed to favor Lucky Strike, but no brand skewed younger adult to the degree seen for the brands that would follow.

1930's	AVG. SOM	18-YR-OLD SMOKERS	
		Share	BDI
Lucky Strike	22%	32%	146
CAMEL	27	30	111
Chesterfield	27	20	74
All Other	24	18	75

PALL MALL: THE BRAND OF THE 1940'S AND 1950'S.

The key trend for Pall Mall was younger adult female smokers, who were rapidly becoming more likely to smoke at age 18. The SDS showed that females rose in importance from 30% of all 18-year-old smokers in the 1930's to 44% in the 1950's. This gain was large enough to create a 6% increase in the number of younger adult smokers between the 30's and 50's, even though there was a 15% decrease in the size of the younger adult population during that time.

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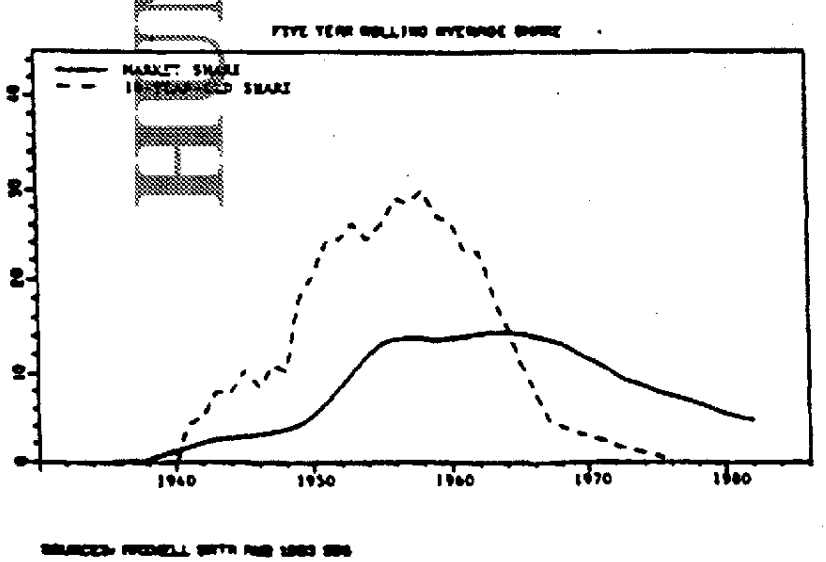
"Extra length" Pall Mall King entered the market in 1937. Initially, it had a prestige positioning, but was soon refocussed to emphasize mildness and "easy" smoking. From the beginning, Pall Mall's development was about twice as high among younger adult females as males. This captured the rising trend of the younger adult smoker market and also made good strategic sense for ATC -- Lucky Strike skewed male and Pall Mall skewed female. Thus, Pall Mall was in tune with the demographics of the times and its company's mix.

1956

During the 1940's, Pall Mall's share grew to 10% among all 18-year-old smokers, to 18% among younger adult female smokers, and was still rising. But since Pall Mall attracted fewer older smokers, its market share was only 3% after a decade (1947). By the 1950's, though, the aging payoff was inevitable: Pall Mall's SOM soared to 15%, with a younger adult smoker share twice that high.

PALL MALL



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But, Pall Mall became out of step with its times when the cancer scares of the mid-1950's created the filter boom. Pall Mall might have defended itself with a filter line extension, but it didn't try until 1965, when it had few younger adult smokers left to defend.

After Pall Mall peaked, its younger adult franchise began to skew male. Younger adult female smokers -- the rising trend Pall Mall had captured -- moved on. But the brand loyalty and aging benefits of the younger adult smokers who remained with Pall Mall bolstered its market share for another 10 years.

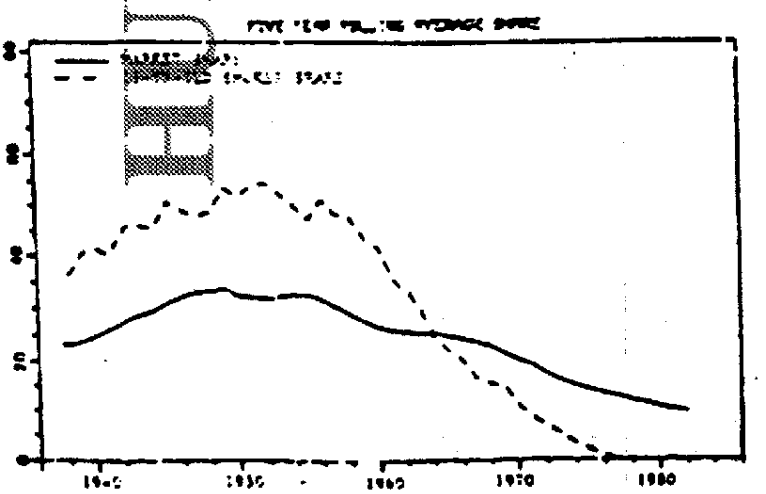
PALL MALL SHARE AMONG 18-YEAR-OLD SMOKERS

	1940's	1950-54	1955-59	1960-64	1965-74
Males	9%	16%	30%	22	4
Females	18	40	30	13	2
TOTAL	10 ⟶	26 ⟶	30 ⟵	19 ⟵	3

Source: 1983 SMS

ATC's leading position among younger adult smokers, first with Lucky Strike and then Pall Mall, pushed it to #1 in the industry in 1940, when it passed RJR. However, since Pall Mall was ATC's last successful younger adult entry, the brand's downturn signalled the future performance of ATC as a company.

AMERICAN TOBACCO



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Key Points About Pall Mall:

- Pall Mall's "extra length" was a product breakthrough in its day -- one that promised extra mildness. It caught on right away with younger adult smokers.
- Pall Mall grew quickly among younger adult smokers because it was in tune with the 1940's, when the major trend in smoking was the rising importance of younger adult female smokers in the market.
- Pall Mall's younger adult strength was a long lead-indicator of its rapid market share growth in the early 1950's.
- Pall Mall's downturn among younger adult smokers was also a lead-indicator of the brand's eventual decline, although its market share held for another decade due to the loyalty and aging of the younger adult smokers it attracted in earlier years.
- Pall Mall became overdeveloped among males only during its decline.
- Since Pall Mall was ATC's last major younger adult brand, its downturn was a leading indicator of ATC's decline.

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WINSTON: THE HIT OF THE 1950'S AND 1960'S.

External influences in the 1950's contributed to the WINSTON opportunity.

1. The rising tide of health concern which peaked with the "cancer scare" of 1954.

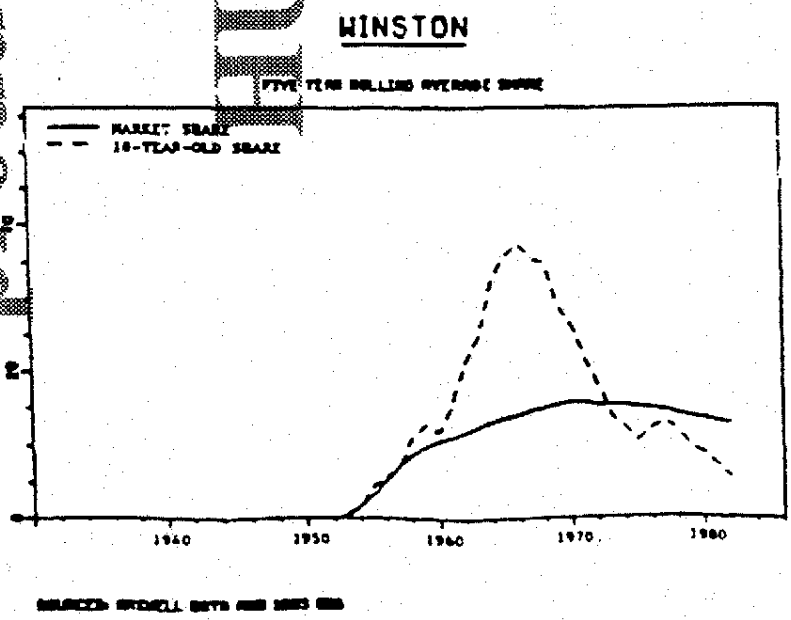
   Although "modern" filter cigarettes had been in the U.S. market since 1930, their market importance was almost nil until the early 1950's, when Viceroy sales quadrupled in less than two years. Reynolds, determined not to repeat its experience introducing CAVALIER against an already-too-well-entrenched Pall Mall, rushed WINSTON to market in March, 1954, near the crest of the health scare.

2. The spread of television.

   WINSTON was introduced on TV -- a "fad" that spread from 9% of all households in 1950 to 87% by 1960. Advertising dollars were a key advantage for WINSTON over its filter competitors, and the bulk of those dollars were used to leverage TV.

Younger adult and older smokers alike responded promptly to WINSTON's positive proposition -- "WINSTON Tastes Good" -- its point of difference from other filter brands and the product deficiency non-filter smokers might suspect. WINSTON let Kent and Viceroy sell the benefits of filters and, perhaps, make themselves look like "sissy brands" to younger adult smokers seeking maturity.

By 1958, WINSTON was the Number One filter brand and still showing steady market share gains. In the early 1960's, its share among 18-year-old smokers reached some 30%, twice as high as its market share. WINSTON's effect on SALEM and Marlboro during the early 1960's (as shown later) suggests that this 30% share was large enough to put peer pressure on WINSTON's side and make it a "bandwagon brand" among younger adult smokers.



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WINSTON suddenly lost favor with younger adult smokers in the mid-1960's. This was not due to any sudden changes in WINSTON or Marlboro ads or products. The ban on television advertising didn't hit until 1970. However, two major shifts in the 1960's environment may have left WINSTON less in touch with younger adult smokers.

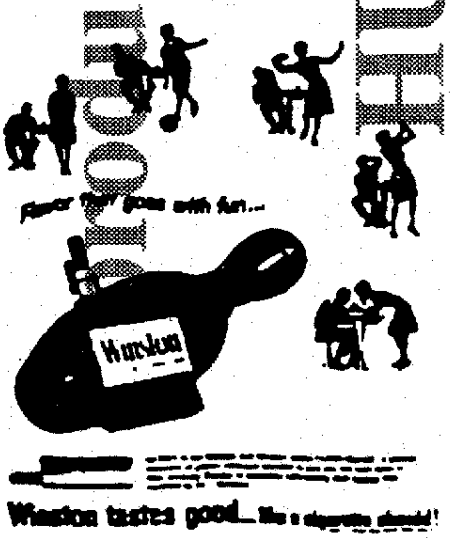
1. The heavy antismoking activity in 1964-69 may have caused problems for WINSTON:

   - WINSTON's positioning and its development were both slightly female, in tune with the younger adult smokers of the 1950's. However, the antismoking publicity in the 1960's had a disproportionate effect on younger adult females, so it changed the demographic mix. Within only a few years, females fell from 44% to 18% of younger adult smokers and, for a decade, the rising trend was male. Thus, WINSTON became out-of-tune demographically with the younger adult smoker market, because external influences had changed the market of the 1960's.

   - The first FTC report, published in 1967, named WINSTON the highest "tar" non-menthol filter in the market -- higher than some non-filter brands and 6 mgs higher than Marlboro. WINSTON's product-centered proposition may have been vulnerable on this front among younger adult smokers looking for mildness.

   - The intense antismoking campaign on TV may have offset WINSTON's effectiveness in this key medium.

2. WINSTON's light-hearted approach may have also become less attuned to the changing younger adult mindset of the 1960's. In the era of Vietnam, campus riots, and the Chicago Seven, it seems likely that Marlboro's intense, unsmiling cowboy was a better fit.



1965

Come to where the flavor is.
Come to Marlboro Country

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The 1983 SDS showed that younger adult smokers are most likely to base their brand perceptions on the people they see using the brand -- more than its advertising, package, or name. Thus, it is possible that WINSTON's own profile might have hastened its downturn among younger adult smokers. Whereas Pall Mall started with few older smokers, WINSTON started strong among all ages. Thus, by 1965, half of WINSTON smokers were over 35 and might have contributed to an older, "establishment" image for the brand.

As WINSTON lost its hold on the 18-year-old smoker market of the mid-1960's, its younger adult smokers dispersed to SALEM and Kool as well as to Marlboro. As with Pall Mall, WINSTON's younger adult female smokers moved more quickly, leaving WINSTON overdeveloped among younger adult males for the first time.

WINSTON SHARE AMONG 18-YEAR-OLD SMOKERS

	1956-60	1961-65	1966-70	1971-75	1976-80
Males	12%	31%	27%	16%	11%
Females	14	35	32	9	1
TOTAL	13 ——>	32	29 <——	13 <——	5

Source: 1983 SDS

When the TV ban took effect in 1970, the TV anti-smoking campaign also ended and younger adult female smokers again became the rising trend. But by this time, Marlboro had become the "bandwagon brand".

There was an uptick in WINSTON's share among younger adult female smokers when its Lights 100's were introduced in 1977, well ahead of their Marlboro counterpart. But, overall, WINSTON's line extensions seem to have had no lasting effect on its younger adult smoker trend.

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Key Points About WINSTON:

- WINSTON benefitted from the health scares of the 1950's, which created the filter boom. It used a positive position -- "WINSTON Tastes Good" -- to capitalize on a negative environment.
- Favorable timing helped WINSTON. It attacked the filter market before earlier filter brands became entrenched.
- Younger adult smokers were as likely as older ones to be early WINSTON adopters.
- Younger adult strength was a leading indicator of WINSTON's extended market share gains and of its softening.
- Peer pressure --- the "bandwagon effect" -- seems to have worked for WINSTON in the early 1960's, when it had a 30% share of younger adult smokers.
- WINSTON may have lost popularity among younger adult smokers because changes in the external environment made WINSTON less in tune with both the demographics and the mindset of the 1960's than it had been in the 1950's. Its large number of older smokers may have contributed by linking the brand to the "establishment".
- WINSTON did not become overdeveloped among males until after its younger adult smoker share had begun to decline.
- WINSTON's line extensions do not appear to have had any long term effect on its younger adult smoker performance, although WINSTON Lights 100's may have caused a temporary rise until Marlboro responded.

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MARLBORO: THE "BABY BUBBLE" BRAND

The leading edge of the Baby Bubble exploded on society as the younger adults of the 1960's. Over 30 was "out" and the younger set was driving fashions, politics, and the marketplace, sometimes violently. And Marlboro would become their brand.

Marlboro had been quickly repositioned in 1954-55 to catch the filter boom. But, as a second entry in the "taste/flavor" filter market, with no point of difference but its box, it trailed WINSTON among both younger adult and older smokers.

1955-60	Market Share	18-Year-Old Smoker Share
WINSTON	8%	11%
Marlboro	4	3

Judging by its copy, Marlboro's masculine positioning was originally directed at the nonfilter market, which had become overdeveloped among males as it declined. It took eight years of experimentation for Marlboro's permanent "cowboy" campaign to fall in place in 1962. Even then, the WINSTON "bandwagon" held Marlboro at bay.

But Marlboro, through happenstance or design, fit better and better as the pressures of the 1960's evolved.

- Marlboro was a milder product than WINSTON, but its emphasis on flavor kept it positioned as a "real cigarette".
- Marlboro was positioned male during the only decade since 1930 when males were the growth sector among younger adult smokers.
- Marlboro's intensity fit the mindset of younger adults in the 1960's.
- Marlboro's positioning was in tune with younger adult smokers' enduring want to express their maturity and independence through smoking. (The Marlboro cowboy is always shown as a mature, even older man.)
- Marlboro acquired younger adult smokers than WINSTON* and, by the late 1960's, this meant the Baby Bubble, the largest cohort of people, and smokers, in history.

* One way to see this is by comparing the percentage of Marlboro versus WINSTON smokers who smoked at age 18. For example, among White male WINSTON smokers who turned 18 in 1955-70, 70% smoked at age 18; for Marlboro, that percentage was 87%. (Source: 1983 SDS)

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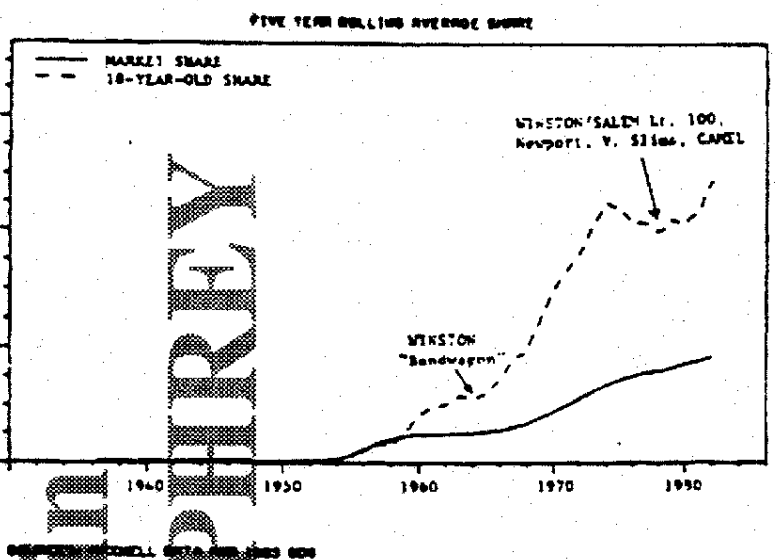
MARLBORO



Despite Marlboro's masculine positioning, it appears to have been a dual sex brand among younger adult smokers from the beginning. Marlboro skewed male to the same extent the total younger adult smoker market did, but was almost equally developed among younger adult males/females until after 1975.

Marlboro	SHARE AMONG 18-YEAR-OLD SMOKERS		
		Development Index	
	Total	Male	Female
1955-64	8.5%	101	98
1965-74	31.8	104	94
1975-79	40.6	107	94
1979-83	50.3	116	84

Source: 1983 SDS

This balance was advantageous to the brand since the 1960's drop in female importance was only temporary. If Marlboro's masculine positioning had made it a heavily male brand, it would have positioned the brand on a long term declining trend.

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After 1975, Marlboro not only started to skew male, it started to lose its grip on the 18-year-old smoker market:

- Marlboro's 18-year-old smoker share dipped in 1976-77 when both SALEM and WINSTON brought out Lights 100's styles and Marlboro failed to respond until 1978. This may partly account for Marlboro's increasing male skew in the late 1970's and, perhaps, for Marlboro Lights 100's switching gains versus WINSTON and SALEM in the 1980's.
- Newport began to nibble at Marlboro's "first brand" territory. Newport was a brand Marlboro was ill-equipped to compete against, because of its long-standing menthol weakness. This could be a reason for the strong emphasis on Marlboro Menthol in late 1982.
- CAMEL and Virginia Slims each took a bite.

These inroads on Marlboro's younger adult smoker stronghold in the late 1970's barely showed in the brand's market share because aging momentum from the 1950's and 1960's covered its tracks. But these may have been signals that Marlboro's masculine imagery was becoming less in-sync with younger adult smokers over time.

- Males were not the growth sector of the younger adult smoker market in the 1970's. Females were, rebounding from 38% importance in the 1960's to 49% of all 18-year-old smokers by the end of the 1970's.

	% IMPORTANCE AMONG 18-YEAR-OLD SMOKERS			
	1950's	1960's	1970's	1980-83
Males	56 ——>	62 <——	53	51
Females	44 <——	38 ——>	47	49

Source: 1983 SDS

- In the 1983 SDS, younger adult males clearly still cared about being seen as masculine -- they don't want feminine imagery! Marlboro's 18-24 smokers also want masculinity, because the majority of the brand's smokers are male. But, Marlboro's younger adult male smokers do not stress masculinity any more than other younger adult males. In fact, younger adult males who smoke other brands are somewhat more likely to want the rugged, traditional masculinity.

Thus, the evidence of share trend, demographics, and wants tends to suggest that Marlboro's positioning may have become less in tune with the younger adult smoker market during the late 1970's and 1980's.

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Once Pall Mall and WINSTON had turned down among younger adult smokers, there was no return. How, then, has Marlboro managed to hold, even recoup, among 18-year-old smokers in the 1980's?

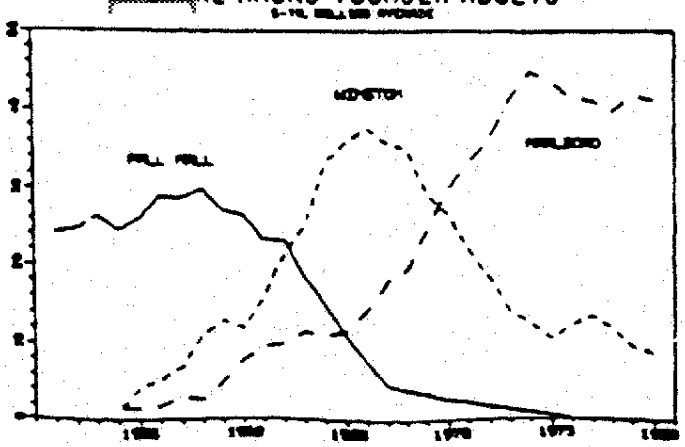
1. In the 1983 SDS, younger adult smokers were much more likely than other smokers to base their brand perceptions on the people they see using the brand. But, among all brands, younger adults were most likely to base their Marlboro perceptions on brand users. (See Appendix F). Since, in 1983, 70% of Marlboro users were under 35 and fully 36% were under 25 (BDI = 218), Marlboro's very size among younger adult smokers may give it an effective positioning that has little to do with the positioning of its advertising. Marlboro's younger adult smokers can be their own campaign, automatically in tune with the times.

2. The SDS showed that Marlboro's key imagery was not masculinity, it was younger adult identity/belonging -- the brand for average younger adults, popular and acceptable among younger adult friends, not "too different". This makes sense as the imagery Marlboro's users would convey, apart from the brand's advertising, pack, or name.

3. Marlboro is clearly seen as a quality product, even by younger adult smokers who prefer other brands. Marlboro smokers want to "buy the best," and they think that Marlboro is the best. This may reflect specific product performance, since in-market test results over the last decade indicate that Marlboro King's smoother, less harsh delivery has been consistently preferred over the stronger WINSTON King. This was still the case among younger adult smokers in 1983 testing. (See Appendix G.)

4. Marlboro has the "bandwagon effect" still going for it. In fact, the trend over the decades has been for younger adult smokers to increasingly cluster behind one big "first brand", a trend that parallels the increasing pressures against smoking during these times. This could mean that as social pressures tend to isolate younger adult smokers from their nonsmoking peers, they have an increased need to identify with their smoking peers, to smoke the "belonging" brand.

SHARE AMONG YOUNGER ADULTS*



* 18-Year-Old Smokers, 1983 Segment Description Study

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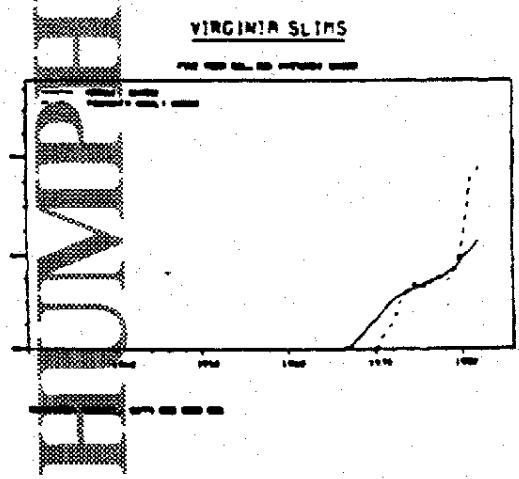
Philip Morris may itself recognize Marlboro's vulnerability. (Certainly the brand's switching losses among 18-24 year olds have been visible in the 1980's, averaging the equivalent of .3 share points of total smokers every year.) While Marlboro could not be repositioned after 20 years of the same campaign, some clues suggest PM may be using other strategies to protect Marlboro's contribution to their younger adult share strength:

- Virginia Slims and Merit have been gaining disproportionate switching from Marlboro among smokers 18-24, allowing Philip Morris to keep 32% of Marlboro's net switching losses from 1980 to 1983 within the corporate fold -- nearly twice PM's fair share. (See Appendix H). This suggests that Marlboro might serve PM as a "feeder brand", capturing 18-year-old smokers who can then be channeled to other PM brands.

- Virginia Slims' performance as an 18-year-old "first brand" has improved markedly in recent years. This may relate to its softer, more casual executions, which are more consistent with the younger adult Marlboro female's desire to not be "too bold".



- The Merit repositioning seems to draw it closer to Marlboro, perhaps shortening the supply lines.

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LEGACY

Key Points About Marlboro

1960's
- Marlboro succeeded with a "first brand" strategy targeted to the leading edge of the Baby Bubble, who turned 18 in the 1960's.
- Younger adult smokers have been a clear leading indicator of Marlboro's market share growth.
- Marlboro was only a second entry in the taste/flavor filter market until it developed its image-intensive long term campaign/ positioning. This took eight years of trial and error.
- Marlboro's final positioning, set in 1962, was in tune with the mindset of the 1960's and also with the demographic shifts among younger adult smokers, since females dipped in importance during that decade.
- Despite Marlboro's masculine positioning, it was almost equally developed among younger adult males and females until after 1975. Overdevelopment among males would have disadvantaged the brand.

1970-
- Marlboro's younger adult smoker share softened in the late 1970's, but it had built enough aging momentum that its 30M trend slowed only slightly.
- Certain evidence suggests that Marlboro's positioning has become less in tune with younger adult smokers than it was in the 1960's.
  - Females, not males, have been the growing sector among younger adult smokers. Marlboro has been losing strength among females.
  - Younger adult Marlboro males' interest in masculine imagery is no stronger than the average younger adult male smoker.
- Marlboro is a "bandwagon brand" today.
  - Marlboro users provide the brand's imagery today more than its advertising does.
  - Marlboro stands for "the average younger adult." Peer popularity is its added benefit.
  - Marlboro smokers believe in its high quality. It is seen as much smoother than WINSTON, but less strong.
- Younger adult smokers' need for "belonging" is strong and may be increasing due to social pressures against smoking. Marlboro provides a means of belonging.
- Marlboro suffers high switching between ages 18-24, but Philip Morris retains about twice its fair share of those switchers, via Virginia Slims and Merit.

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SALEM/Kool/Newport

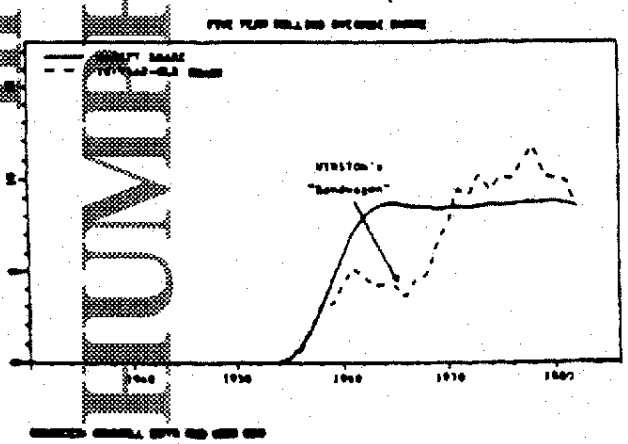
SALEM

SALEM's product breakthrough was "light menthol". Kool nonfilter had been in market since 1931, but it was advertised more like a cold remedy than a cigarette and, apparently, tasted like it. When SALEM lowered the menthol and added a filter, it cut an 8% niche in the market.

At first, younger adult smokers adopted SALEM as readily as older ones but, in the early 1960's, its 18-year-old smoker share went flat. It appears that this had more to do with WINSTON than either SALEM or Kool -- the WINSTON "bandwagon effect" was drawing 18-year-old smokers like a magnet. When WINSTON let go in the late 1960's, SALEM could again attract its fair share of younger adult smokers.

Although SALEM became stronger among younger adult smokers of the 1970's, it has never become a true "first brand". A fair share of younger adult smokers, though, is enough to keep market share steady for a long time.

SALEM



Kool

The key trend for Kool was the emerging importance of younger adult Black smokers in the market. In the health-concerned 1960's, younger adult Blacks didn't back off from smoking to the extent that Whites did. Because of this, their importance surged from 6% of 18-year-old smokers in the 1950's to 10% in the 1960's.

Younger adult Blacks of the 1930's to 1950's had basically gone with whatever brand was big among younger adult White smokers (See Appendix I). In the 1960's, they began to coalesce behind Kool, which only had a 2% share among younger adult Whites. It was time for Blacks to build their own brand in the 1960's, the heyday of Martin Luther King and "Black pride".

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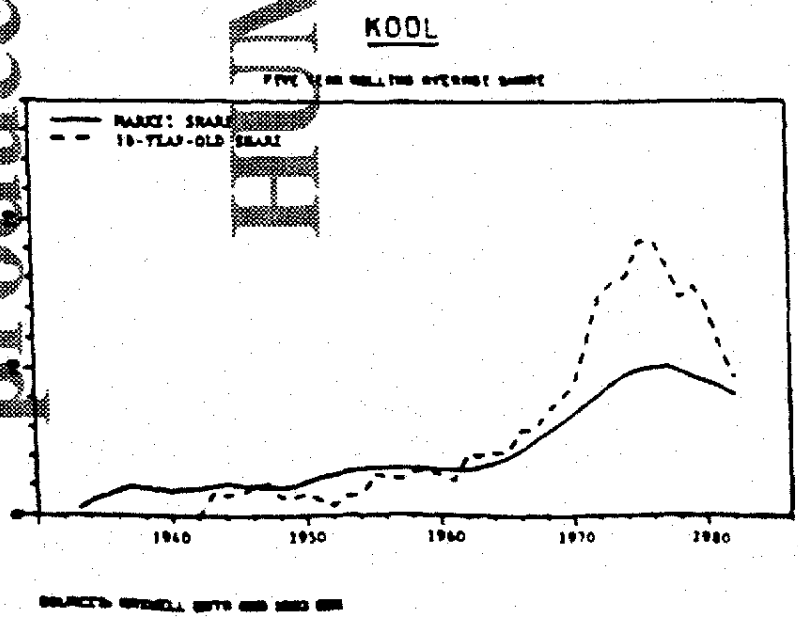
Kool apparently capitalized on this aspect of the 1960's by simply advertising to Blacks before its competitors did. Kool ads were in Ebony consistently from at least 1962, when our records start. This was easy for Kool, since its early-60's penguin campaign fit either race, and it was effective. Kool became "cool" and, by the early 1970's, had a 56% share among younger adult Blacks -- it was the Black Marlboro.

KOOL SHARE AMONG 18-YEAR-OLD SMOKERS

	1950's	1960-64	1965-69	1970-74	1975-79	1979-83
Black	10%	12%	17%	56%	44%	34%
White	1	2	4	11	11	5
TOTAL	2	3	6	14	15	8

Source: 1983 SDS

Like Marlboro, Kool capitalized on the shifts in the 1960's market. And, by the 1970's, it was falling out of step with the trends of the times -- younger adult Whites were returning to smoking, leaving Kool with a 500 BDI in a sector whose importance was no longer booming. Kool was in a bind in the Black market, too, with SALEM suddenly spending about as much as Kool against Blacks. (See Appendix J). Kool also splintered its positioning in the 1970's, advertising each line extension with its own thrust -- Kool 100 was "Lady Be Cool", Kool Milds was dual sex, upscale, etc. Kool was vulnerable and Newport capitalized on that vulnerability.



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Newport

Newport was completely redone between 1970-73 -- campaign, product, package. When the "new" Newport went to market in 1973, it went only against the northeastern U.S., which had been a focal point of Black population growth throughout the sixties as Blacks left the south.

Newport was the first menthol to emphasize imagery but, on the bottom line, Newport went after Kool with dollars. Newport's total ad spending in the mid-1970's was only about 30% of Kool's, but it was concentrated in some 20% of the U.S. Half of Newport's budget was in out-of-home. By 1978, Newport's regional spending against Blacks equalled Kool's national Black market spending. Newport had picked Kool's prime market, with a size it could afford, and essentially bought it. The results among younger adult smokers, especially younger adult Blacks, were immediate.

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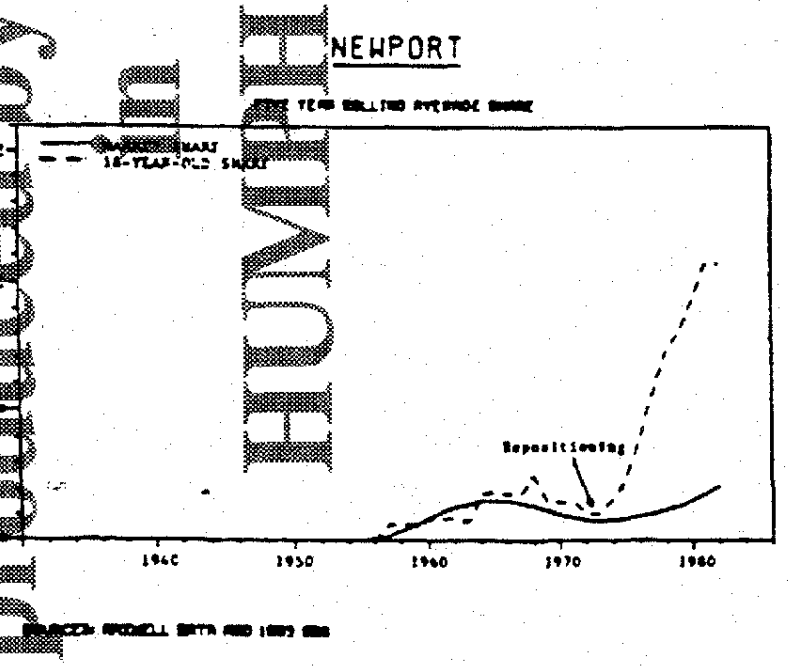

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In the 1980's, Newport started rolling out across the South Atlantic, where migration patterns of the 1970's showed Blacks had been returning. Tracker data during this rollout period tend to confirm that Newport gained among younger adult Whites as it gained distribution, but its fundamental growth has been due to younger adult Blacks.

NEWPORT MENTHOL SHARE OF SMOKERS

	1980	1981	1st Half 1982	2nd Half 1982	1st Half 1983
AGES 18-24					
Black	18.6%	22.4%	25.2%	28.9%	36.6%
White	4.4	4.9	5.5	5.0	4.9
TOTAL	6.1	7.0	7.5	7.6	8.5

Source: MDD Tracker

All of Newport's growth has also been due to its King, which seems better attuned to younger adult product wants than Kool. In 1982, younger adult smokers rated both as acceptable products but found Newport King was significantly smoother, milder and less harsh than Kool King. (See Appendix K.) In qualitative work, Newport King is even described as a "light" (i.e., low "tar") product, despite its 18 mg. level.

The SDS showed that Newport, like Marlboro, relies heavily on its users to provide brand imagery among younger adult smokers (See Appendix F). And, Newport has the youngest franchise of any brand in the market -- 53% were 18-24 in 1983. Thus, it is no surprise that Newport has become the alternate younger adult identity brand, for those who don't want to just follow the crowd. For Blacks, it's today's alternative to Kool; for Whites, it's an alternative to Marlboro.

PRODUCT STRATEGY
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Key Points About SALEM/Kool/Newport

SALEM

- In its early years, SALEM's appeal to younger adult smokers was overshadowed by WINSTON.
- SALEM gained among younger adult smokers of the 1970's, especially Blacks, by spending more effectively against Kool, but never has become a true "first brand".

Kool

- Kool's growth, much like Marlboro's, hinged on demographic shifts caused by the antismoking 1960's.
- Kool was in tune with the rising importance of younger adult Blacks in the 1960's. The mindset of "Black identity" made it time for Blacks to adopt their own brands, rather than follow the general market.
- Kool gained "Black identity" by advertising to Blacks before its competitors.
- When younger adult whites returned to the market of the 1970's, Kool was suddenly too Black to fit the younger adult market and became vulnerable. Kool also splintered its heritage, positioning itself by style.

Newport

- Newport, when it was repositioned, essentially bought Kool's prime North Atlantic market by intense spending in out-of-home and against Blacks.
- It appears that Newport has gained younger adult White smokers by gaining distribution but its fundamental growth is among Blacks.
- Younger adult smokers rate Newport as milder/smoother than Kool.
- Newport users are the main source of Newport perceptions. It is seen as the alternative younger adult brand -- for Blacks an alternative to Kool, for Whites an alternative to Marlboro. It's for those who don't want to follow the crowd.

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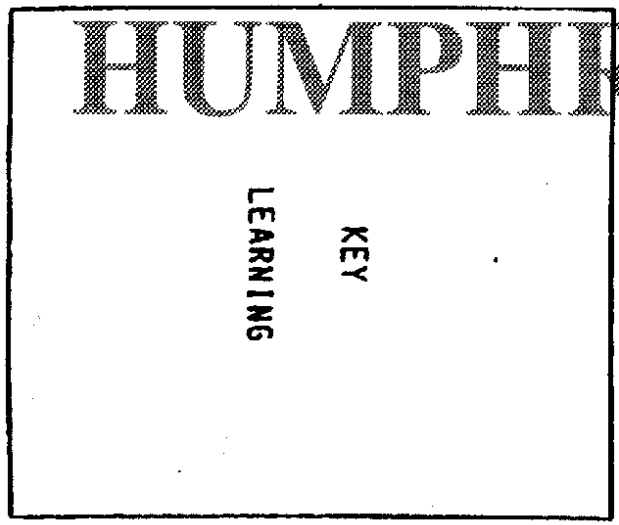

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III. KEY LEARNING: SUMMARY & CONCLUSIONS

The previous two sections have discussed the importance of a strong position in the younger adult smoker market and the strategies/circumstances which have, in the past, allowed brands/companies to achieve growth among younger adult smokers. By integrating the key points from these sections, several conclusions can be reached.

I. THE IMPORTANCE OF YOUNGER ADULT SMOKERS

- Strong performance among younger adult smokers is critical to generating sustained growth momentum for brands/companies.
  - "New" 18-year-old smokers represent about 1.4 share points of incremental volume each year.
  - A younger adult smoker who has been gained and retained appreciates in value over time because of increased consumption. Older smokers do not.

- The biggest cigarette brands of the last half century have derived their strength from high younger adult development -- Pall Mall, WINSTON, Marlboro, and Kool. Newport may become another such brand, but its size is currently limited by distribution and lack of a broad geographical marketing effort.

In each case,

- Younger adult gains have been a long term leading indicator of the brand's market share gains. Typically, major market share growth has lagged the brand's younger adult smoker growth by at least five years.
- Continuing loss of younger adult strength has also been a leading indicator of market share softness and decline, although aging may bolster the brand's SOM for a decade or more.
- These brands have been the flagship brands driving their companies' performance and each has been superceded by a brand from another company. Thus, younger adult growth performance has been a leading indicator of long term corporate performance.

  At present, Philip Morris and Lorillard are the only companies showing steady younger adult performance gains.

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A. External Factors

- Past periods of intense publicity on the health issue appear to have played a key role in the succession of the major younger adult "first brands."
  - WINSTON capitalized on the filter boom, which gained momentum from the "health scare" environment of the early 1950's.
  - Marlboro capitalized on the changing mix of males/females in the 1960's, which arose from their different reactions to the intense health publicity of that time.
  - Kool capitalized on the similar shift between Blacks/Whites in the 1960's.
- Based on the WINSTON experience, product "breakthroughs" which address external factors are more likely to produce short term share results than those based primarily on imagery wants of younger adult smokers.

B. Growth Sectors Within Younger Adult Smokers

- Successful "first brands" have capitalized on subtle demographic shifts within the younger adult smoker market. Their "formula for success" appears to have been to target the FUTURE profile of younger adult smokers, i.e., to be better developed among sex/race/geographic groups which are gaining importance, but only to the extent that reflects the group's rate of growth. This "formula" will usually imply broad based, nearly balanced appeal rather than overemphasis on male/female, Black/White, or other factors.
  - Pall Mall was strongly developed among younger adult female smokers while their importance was increasing most rapidly.
  - WINSTON was introduced when younger adult female importance was modestly increasing and was slightly better developed among females, but essentially a balanced brand.
  - Marlboro was slightly better developed among males during the 1960's, when female importance dipped, but was essentially a balanced brand until after 1975.
  - Kool was highly developed among Blacks and grew when their importance among younger adult smokers surged in the 1960's.
  - Newport targeted Blacks in the northeastern U.S., where the Black population was growing most rapidly in the 1970's, and has moved to the south, following the return migration.

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B. Growth Sectors Within Younger Adult Smokers (Cont.)

- The dominant trend in the younger adult smoker market over the last 50 years has been the rising importance of females. Because of this, the major "first brands" have been overdeveloped among males only during their periods of decline. Marlboro has become overdeveloped among younger adult males only after 1975, when its share was softening among younger adult female smokers.

- One key to Marlboro's success in capturing the Baby Bubble appears to be that it attracted more 18-year-old smokers than WINSTON within the younger adult smoker market. That is, it was clearly a "first brand", with relatively lower switching appeal.

C. Out-Of-Touch Competitors

In every case, the major younger adult brands have been succeeded by a competitor's brand positioned to be significantly different from the predecessor. The softening/decline of the major younger adult brands seems linked to an inability to "stay in tune with the times" as well as a new competitor "started in tune with the times" at its introduction/repositioning. While the real criteria for being "in tune" are probably the mesh between imagery and/or product and the wants of younger adult smokers of the times, demographics are a useful tool for identifying the likelihood of that mesh.

- Pall Mall became out of touch with younger adult smokers' product wants when it failed to effectively react to the filter boom of the 1950's. WINSTON fit those wants.

- WINSTON was the victim of subtle shifts which may have been transparent or seemed transitory at the time.

  - WINSTON's light-hearted campaign fit well with the mindset of the 1950's, but did not fit as well with the rising tide of intense younger adult rebels as Marlboro did in the 1960's.

  - WINSTON's campaign had a slightly female slant and so did its franchise. In the 1960's, younger adult females were losing importance and males were gaining -- a better fit for Marlboro.

  - WINSTON's popularity among older smokers may have made it difficult to maintain an exclusively younger adult identity during the 1960's, when that want was most extreme.

- Kool found itself "too Black" in the 1970's as younger adult Whites were rapidly regaining market importance.

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C. Out-Of-Touch Competitors (Cont.)

- Marlboro's advertising/positioning seems to have become less in touch with the demographic trends within younger adult smokers of the late 1970's and 1980's and, perhaps, their mindset.
  - Younger adult female smokers were the key growth sector in the 1970's and 1980's.
  - Today, Marlboro's younger adult male smokers do not have an above average interest in masculine imagery versus all younger adult males.
  - Philip Morris may have recognized Marlboro as vulnerable. Marlboro's disproportionate switching losses to Virginia Slims and Merit tend to feed Marlboro's losses back to PM. The campaign modifications on these brands may shorten the lines of supply.

D. Product Delivery/Communication

- Throughout the succession of "first brands", younger adult smokers have moved to "milder" products.
  - Pall Mall promised "mildness" based on its length.
  - WINSTON, as a filter product, would be seen as milder than nonfilters.
  - In the 1960's, Marlboro was "milder", i.e., significantly lower in tar, than WINSTON, as was advertised by the FTC. Today, Marlboro is still rated milder/smoother than WINSTON by younger adult smokers and is preferred.
  - Kool and SALEM could be seen as milder because of their menthol.
  - Newport is perceived as milder/smoother than Kool.
- Successful "first brands" have used positive product messages.
  - Pall Mall emphasized milder smoking "pleasure".
  - WINSTON "Tastes Good" despite its filter.
  - Marlboro is "where the flavor is", although historically and presently smoother than WINSTON.
  - Newport speaks to smoking "pleasure".

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- By omission, no brand whose product messages remind the consumer of product negatives or portray the brand as a "weak cigarette" has succeeded as a younger adult first brand. For example, any brand which has specifically emphasized "low tar" (which implies remaining tar) has been limited to switching gains among maturing smokers.

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SECTION IV

IMPLICATIONS AND RECOMMENDATIONS FOR RJR

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2. RJR should seek to better understand and capitalize on the market conditions/approaches which have successfully created younger adult strength for brands/companies in the past:

A. External Factors
B. Growth Sectors Among Younger Adult Smokers
C. Out-Of-Touch Competitors
D. Product Delivery/Communication

Since RJR's processes/tools have been better attuned to switching efforts than to "first brand" strategies, time and learning will clearly be required to fully assess the opportunities available through these avenues. It should be noted that the new/established brand programs in the 1984 Plan already address the major issues/trends identified below, within the framework of current knowledge/processes. These Plans should continue as a basis for RJR's 1984 marketing efforts, but should be enhanced by a full-time dedication of resources to ensure a solution to the problem.

A. External Factors (Detail in Section V)

- SOCIAL ACCEPTABILITY

A breakthrough product which effectively addresses social acceptability concerns could revolutionize the market as WINSTON did in the health-concerned 1950's. The ultimate size of this opportunity will depend on younger adult smoker acceptance. Thus, RJR should consider:

- The need to develop a social acceptability product whose smoking benefits meet younger adult smokers' wants as well as other smokers' wants.

- Planning a second entry social acceptability brand which could emphasize mainstream younger adult imagery and product positives, thus avoiding the connotations of "social concern" which would likely be associated with the first entry. Thus, RJR could enter its own "Marlboro" to follow the "WINSTON of the 1980's."

- PRICING

Pricing is a key issue in the industry. Some evidence suggests that younger adult smokers are interested in price, but unlikely to adopt a brand whose only "hook" is price. To maximize the possible pricing opportunity among younger adult smokers, several alternatives should be considered:

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- A price/value brand would need a conspicuous second "hook" to reduce possible conflict between younger adults' value wants and imagery wants. The most saleable "hooks" are likely to be based on product quality, since these provide easy-to-explain public reasons for switching. Suitable imagery should also be used.

- Since younger adult smokers with above-average interest in value are concentrated in the Coolness segment, it is possible that younger adult smokers might be responsive to an appropriately positioned value-oriented menthol entry.

- Tactically, extended periods of closely targeted pack promotion (B;G1F, sampling) in selected sites (e.g., convenience stores, military exchanges, special events) could lead to brand loyalty from repeated trial. This should be considered an investment program.

B. Growth Sectors Among Younger Adult Smokers (Detail in Section V.)

- Younger adult Hispanic and Black smokers should be key RJR targets, since they are gaining importance in the younger adult smoker market.

  - Resources/manpower should be made available to increase understanding of the dynamics, wants, and executional sensitivities within these markets.

  - Heavy-up advertising in selected media are likely to be beneficial against younger adult Black smokers, based on Newport/Kool history.

  - Competitive advantage could accrue from these special market programs, since Philip Morris has intensified its Black/Hispanic marketing efforts.

- Females are continuing to gain importance among younger adult smokers and, based on their diversity, should afford a number of potential opportunities.

  - Since the continuing trends to working women and "new masculinity" imply greater commonalities between the sexes, a dual sex brand which appeals to, but is not limited to women may be "in tune with the times."

  - "Style/Dress" remains a pronounced interest among younger adult female smokers, but should be executed to provide a clear point of difference and not be "too bold."

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B. Growth Sectors Among Younger Adult Smokers (Cont.)

- "Moving up in the world" has been identified as a key enduring want among younger adult smokers. This imagery need is likely to grow, since younger adults who follow the Baby Bubble are likely to experience limited opportunities for traditional success.
  - Limited opportunity to "move up" within the establishment may lead younger adults to more entrepreneurial means of success, such as fame via the performing arts. This type of concept meshes with younger adults' key activities/interests, apparently represents an enduring want, and therefore may provide an innovative opportunity to be clearly different from competition.
  - A "status symbol" brand may attract some younger adult smokers, as an affordable compensation for other luxury items, if it can be executed to key on younger adult definitions of "class" and achieve clear difference versus competition.

C. Out-Of-Touch Competitors

- Based on history, RJR should emphasize competitive efforts which are clearly different from the target brands. Head-on or imitative strategies should be pursued as defensive rather than offensive measures. Thus, RJR should target younger adult smokers based on their inherent wants/differences rather than letting competitors define the market.
- Marlboro has become somewhat out-of-touch in that it is too male to fully capitalize on the female growth sector and its masculine imagery is less of a "hook" in the 1980's. However, Marlboro's users themselves provide the brand a strong positioning as an identity/belonging brand. Since Marlboro is not likely to be preemptable on belonging and is not strongly profiting from its "masculinity", other less head-on strategies hold more promise at present.
  - Marlboro smokers are half of the younger adult market and, thus, encompass a diversity of wants. This implies that successful attacks on any key sectors of the younger adult market are likely to hurt Marlboro. Thus, a variety of approaches should be developed to address the spectrum of younger adult smokers rather than limiting creative options by defining the market strictly in terms of Marlboro.

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C. Out-Of-Touch Competitors (Cont.)

- Virginia Slims and Merit should be high priority competitive targets, since they appear to play a key role in defending Philip Morris against Marlboro's traditionally high switching losses.

- VANTAGE may have an opportunity to compete more effectively for younger adult Marlboro switchers, based on its history of switching gains from Marlboro. (Shown in Appendix H).

D. Product Delivery/Communication

- Smooth, mild product delivery seems to have been a key factor in the succession of younger adult brands. Therefore:

  - RJR should ensure that product wants among smokers 18-24 are fully understood and reflected clearly in action standards for products targeting younger adult smokers.

  - RJR should give high priority to eliminating elements of harshness from its younger-adult-targeted products.

- RJR should use copy strategies which emphasize product positives to younger adult smokers. Connotations of "weak", "concerned", or "low tar" should be avoided and elements of mild, smooth, rich, smoking pleasure should be emphasized.

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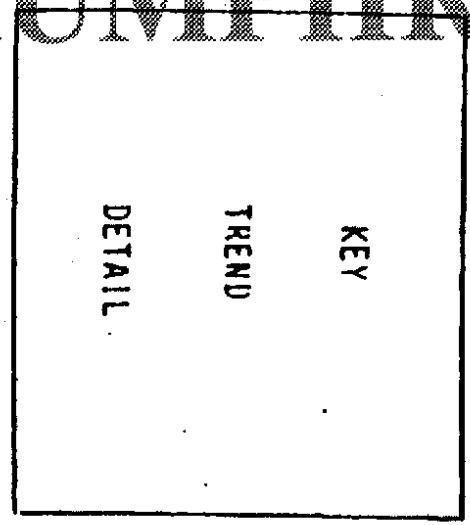

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PRICING

Opportunity Analysis

Pricing is a key issue because of the pressures of the FET increase and the ensuing surge in sales of generic/private label brands. The impact of price on younger adult smokers is a complex question, which is likely to require additional learning, over time, to completely resolve.

Studies by the National Bureau of Economic Research (NBER) were used by the government as a rationale for the FET increase. These studies indicated that price had a much stronger effect on smoking by younger adults, particularly males, than on any other age group, because people were less likely to start smoking in an environment of higher cigarette prices. Thus, over an extended period of time, younger adult smokers would tend to become less price sensitive, since those who react most strongly would not become smokers. However, the NBER studies clearly imply that price influences younger adults, so that price/value may offer an opportunity for some share leverage among current younger adult smokers.

Strategic Alternatives

1. In the 1983 SDS, younger adult males were more likely than any other smokers to say they would buy generics for any price differential, large or small. Yet they were least likely of all smokers to report a generic usual brand. The explanation is probably conflicting wants:

   - Younger adult males want to be seen as successful, someone who buys the best regardless of price.
   - They want to make a good impression on others, smoke a brand acceptable to their friends.
   - They have little interest in being seen as "smart shoppers".

   Field reports from the military market confirm this conflict. Generic sales were booming but none of the men were seen smoking them -- because they were putting the generics in Marlboro packs.

   Younger adult females have a more average attitude toward cost-conscious imagery but are also unlikely to adopt generics, perhaps because of conflict with their own "upward striving" wants, such as style/dress.

   Thus, to maximize opportunity among younger adult smokers, a price/value brand will need a second "hook" to its proposition to allow younger adult smokers to switch on the basis of other, more acceptable wants as well as price. While imagery will be desirable, probably necessary, to brand success, the most likely second "hook" is product quality/taste since this is a more easily expressed public reason for adoption. Examples would be "computer technology produces better smoke at lower cost" or "pay for the best product, not the big brand name."

PHILIP MORRIS INCORPORATED

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2. Younger adult males in the SDS were more likely than any other smokers to have taken advantage of BIGIF offers. Such pack promotions provide the savings benefit without conflicting imagery but typically yield trial or occasional usage rather than a change in brand loyalty. Carton offers, on the other hand, tend to reach older smokers. But, if RJR could closely target pack price promotions to younger adult smokers over an extended period of time, brand loyalty might be captured. This would be an investment program. Its cost effectiveness would depend on how tightly promotions could be targeted to younger adult smokers via, for example, military exchanges/canteens, selected convenience outlets, etc.

   Any other price tactics on established brands could tend to undercut their perceived quality/value.

3. An SDS profile of younger adult smokers who have more interest than their peers in a value brand, but lower confidence in generics, showed high Coolness Segment development. Although, as seen above, price behavior may differ from expressed wants, there may be somewhat higher potential for a menthol entry to appeal to younger adult smokers on the basis of value/price.

Key Points

- Any price/value strategy will need a preemptive second "hook" to make it easy for younger adult smokers to switch for a reason other than price. Product-based "hooks" are easiest for consumers to publicly express.
- Since younger adult Coolness smokers have somewhat above average interest in value, a menthol entry may warrant consideration.
- Tactically, closely targeted, long running BIGIF's may yield some younger adult switching (as opposed to trial).

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SOCIAL ACCEPTABILITY

Opportunity Analysis

Social pressures against smoking are high and increasing. This negative influence is somewhat similar to the health situation in the early 1950's. Therefore, it is possible that products which effectively address the perceived social negatives of smoking and also provide adequate smoker benefits could revolutionize the future market just as filters revolutionized the market during the 1950's. It is possible that RJR will have an opportunity to repeat the WINSTON success in the 1980's environment.

The long range impact of such products on the industry will ultimately depend on their acceptance among younger adult smokers, just as the filter revolution did. At present, younger adult smokers and nonsmokers are becoming polarized on social acceptability -- younger adult smokers show less concern with the issue than older smokers, while younger adult nonsmokers are somewhat more concerned.

"In general, you are more acceptable to people if you don't smoke."

% AGREE	SMOKERS		NONSMOKERS
18-24	49.5%	——→	73.2
25+	55.3		71.1
Total	54.4		71.5

Source: 1983 Smoking Attitudes Study

Given younger adult smokers' keen interest in peer acceptance/approval, it is likely that younger adult smokers would be interested in a brand which effectively addresses social acceptability and also provides the other smoking benefits they want. However, if that brand is positioned as "socially concerned", younger adult smokers may try it as a novelty but are unlikely to adopt it as a regular brand -- younger adults who wish to be seen as "concerned" are more likely to choose to be nonsmokers.

Strategic Alternatives

1. First Entry Brand

   If RJR achieves first entry with a social acceptability brand, younger adult smokers are more likely to adopt it if the brand proposition is as positive and mainstream as possible. This was essentially WINSTON's approach to the health concerns in the 1950's. WINSTON let Kent and others sell "safer" filters, while WINSTON let people know it had a filter but emphasized the positive of taste. For example:

   - The added product benefit might be "enhances sociability" rather than courtesy (which implies potential disapproval from others).

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- The name, package, and post-introductory advertising (once clear awareness of the point of difference was established) could emphasize supportable claims that the brand also provides a full measure of benefits of "old style filters" such as taste, satisfaction, draw, and imagery.

2. Second Entry Brand

The opportunity may be greater for a second entry social acceptability brand to establish mainstream appeal among younger adult smokers, since the first entry must push the product difference. Thus, the first entry might automatically be viewed as "concerned" even if it went mainstream post-introduction, i.e., quickly repositioned itself.

Other advantages of the second entry strategy could be:

- The strategy is equally viable whether RJR or another company hits market first with a social acceptability brand (assuming that product development timetables will be similar between companies).

- RJR could cover the bases by offering both a "concerned" and a younger-adult-oriented entry. If the first product is a satisfactory smoke, it could be used under both positionings.

3. Line Extensions

If social acceptability entries catch on, RJR should be prepared to defend its established brands with appropriate line extensions. Although a mainstream second entry brand could, itself, be a line extension, this would dilute leverage of "the new way to smoke" versus "old style filter cigarettes" and allow competitive brands to more easily respond. The least likely candidates for this type of line extension would be brands committed to "virility" such as CAMEL and, hopefully, Marlboro.

Key Points

- Products addressing social acceptability could revolutionize the market in the same way filters did in the "health scare" environment of the 1950's.

  The long range outlook for such products will depend on their acceptance by younger adult smokers.

- To be adopted by younger adult smokers, a social acceptability brand should:

  1. Offer adequate smoking satisfaction as well as effective relief from social pressures.

  2. Be positioned positively rather than as "socially concerned", perhaps using essentially the WINSTON strategy of the 1950's.

- A second entry social acceptability brand is more likely to be able to position itself in the younger adult mainstream.

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BLACK/HISPANIC YOUNGER ADULT SMOKERS

Opportunity Analysis

Younger adult Black and Hispanic smokers are dramatically increasing in importance and will, conservatively, comprise 20% of the 18-24 market by 1990.

	1965	1976	1980		PROJECTED 1990
BLACK					
% Pop. 18-24	11.2	12.4	13.0		14.8
% Smokers 18-24	12.9	13.4	13.6	——→	14.5
Index	115	108	105		98
HISPANIC					
% Pop. 18-24	NA	5.7	7.5		9.9
% Smokers 18-24	NA	NA	3.9	——→	5.1
Index	NA	NA	52		52
BLACK & HISPANIC					
% Pop. 18-24	NA	18.1	20.5		24.7
% Smokers 18-24	NA	NA	17.5	——→	19.6

Sources: Census Bureau, Hispanic Omnibus Study; "Projections of Hispanic Population for the U.S., 1990 & 2000" (Center for Continuing Study of the California Economy); "Health, U.S., 1981".

BLACKS

Since the Kool phenomenon began in the 1960's, younger adult Blacks have moved increasingly to menthol products, which have accounted for 90% of the younger adult Black market in recent years. In 1983, 72% of Blacks 18-24 smoked one of the 3 major Coolness brands, although the segment has been getting some competition from Stylish brands. Virile brands, even Marlboro, have virtually no appeal to Blacks.

	SHARE AMONG BLACK SMOKERS 18-24				
	1980	1981	1982	1983	Avg. Pt. Chg.
Kool	34.6	30.8	27.9	21.8	- 4.3
Newport M	18.6	22.4	27.2	36.4	+ 5.9
SALEM	17.2	19.2	17.3	13.6	- 1.2
Coolness	71.3	72.8	73.0	72.1	+ .3
Menthol	88.7	89.9	91.5	88.9	+ .1

Source: MDD Tracker

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Newport is the growth brand among younger adult Blacks, yet it is not perceived as particularly relevant to their key wants/concerns: "moving up in the world," style/dress, and powerlessness. Effective spending appears to have been key to its success, although product mildness versus Kool may have played a role.

Kool appears to have risen partly from an emerging desire for Black identity, but it is not clear that this want is as pronounced among younger adult Blacks today.

- The SDS showed that younger adult Blacks were less likely than older Blacks to believe "it is important to remember my roots."
- Although Newport is prominently advertised in Black publications and spends about 16% of its brand dollars against Blacks, 59% of its dollars go to OOH which is primarily general market.
- In qualitative work, younger adult Blacks feel limited rapport with today's Black "leaders", e.g., Jesse Jackson.

Thus, Coolness strength among younger adult Blacks may continue to decline in the future in favor of stylish brands which key on Black wants but also have appeal in the general market.

Hispanics

The Hispanic market is very difficult to address because:

- Mexicans, Cubans, and Puerto Ricans form three distinct segments which differ in wants, lifestyles, even language.
- Many Hispanics insist that advertising be in the Spanish language and that visual executions be perfectly attuned to their lifestyles, self image, and traditions. Hispanics are extremely literal.
- Illegal entry makes even population data difficult to obtain and tools for understanding/tracking the Hispanic market have been quite primitive compared to general market capabilities.

Mexicans are the largest and fastest growing sector of the Hispanic population and also the sector in which RJR's performance is strongest.

Percent of U.S. Hispanic Population

	1980		2000
Mexican	61%	——>	64%
Puerto Rican	14		12
Cuban	7		5
Other	18		19

Source: Center for Continuing Study of the California Economy.

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Marlboro is the leading brand among Puerto Ricans and Cubans and recently appears to have intensified its efforts against the Mexican sector. In fact, Philip Morris appears to be increasing special market spending behind all of its key brands, with special Hispanic campaigns recently appearing for Marlboro, B&H, and Players. (See Appendix L.)

Key Points

- Blacks/Hispanics will comprise 20% of all younger adult smokers by 1990.
- Younger adult Black smokers appear to be highly responsive to effective advertising spending. They appear somewhat more likely to be attracted to a brand which keys on their interests in "moving up" and style/dress and can achieve reasonable development in the younger adult general market.
- Knowledge of the younger adult Hispanic market is extremely limited, although it is fairly clear that Mexicans are the key sector. Success among younger adult Hispanics is likely to require development of an adequate information base and extreme sensitivity to executional elements.
- Philip Morris has placed much heavier emphasis on ethnic spending in recent years and evolved on-going Hispanic campaigns for Marlboro and Benson & Hedges.

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YOUNGER ADULT FEMALE SMOKERS

Opportunity Analysis

Younger adult female smokers have been a driving force behind industry growth during the last half century as they have become more likely to smoke at age 18 and, over time, spread in importance within older age brackets.

	% IMPORTANCE AMONG 18-YEAR-OLD SMOKERS		
	1960's	1970's	1980-83
Males	62	53	51
Females	38	47	49

Source: 1983 SDS

Younger adult females are continuing to gain importance among younger adult smokers, due to their stronger incidence trend versus younger adult males. Based on government reports in recent years expressing alarm at increased smoking among teenage girls, younger adult females are likely to continue to slowly gain importance, although external factors such as social acceptability and price may affect the outlook.

	INCIDENCE AMONG YOUNGER ADULTS 18-24				
	TOTAL	MALES		FEMALES	
	%	%	INDEX	%	INDEX
1980	32.7	33.7	103	31.7	97
1981	31.7	31.6	100	31.8	100
1982	29.4	28.8	98	30.1	102
1983	29.0	28.8	99	29.3	101

Source: MDD Tracker

Key differences in wants between younger adult female smokers and other smokers were identified in the 1983 SDS.

KEY WANTS/CONCERNS OF FEMALES 18-24

	VS. TOTAL SMOKERS	VS. TOTAL 18-24
Belonging/Fitting In	+	-
Moving Up in World	+++	No Difference
Powerlessness	++	++
Style/Dress	+++	+++
Savings/Value	++	+++
Health/"Tar"	+	+++
New Male/Female Roles	+++	+++
Social Acceptability	+	+++
Smoking Problems	+	++

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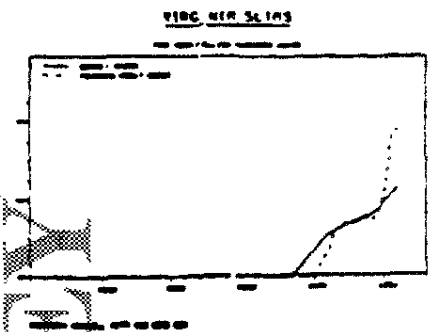
Despite key differences in wants from younger adult males, younger adult females tend to smoke dual sex brands rather than specifically targeted female brands, e.g., 34% smoke Marlboro versus 11% for Virginia Slims.

- Virginia Slims was introduced in 1968 but appears to have gained appeal as a younger adult female "first brand" only in recent years.



This may relate to its gradual campaign evolution from heavy makeup and avant garde fashions to more friendly, casual imagery. This transition may have been speeded by the introduction of SALEM Slim Lights, which outperformed all other competitors in attracting switchers from Virginia Slims.

VIRGINIA SLIMS SWITCHING AMONG FEMALE SMOKERS 18-24

	NET GAINS		NET LOSSES	
	PTS.	%	PTS.	%
SALEM	-	-	-.14	45
Barclay	-	-	-.05	16
CAMEL	-	-	-.02	6
VANTAGE	-	-	-.02	6
B&H	-	-	-.02	6
Generics	-	-	-.02	6
Marlboro	+.26	39	-	-
Merit	+.12	18	-	-
Newport	+.05	8	-	-
Kent	+.05	8	-	-
Parliament	+.05	8	-	-
All Other	+.13	20	-.04	15
	+.66	100%	-.31	100%

Source: NFO, 1980-83 (1st Half) Avg. Per 6 Mo.

Although base sizes are small, there is some indication that Virginia Slims younger adult core females are true Stylish segment smokers who desire to make a bold statement with their brand, whereas Virginia Slims fringe smokers consider the brand to be nearly too bold for their tastes. Its key imagery is, naturally enough, "today's woman".

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Virginia Slims weakness may be that it fits not only a particular type of female but a particular stage of life. The prototypical younger adult female Virginia Slims smoker is like its overall franchise -- she is from a family with income over $25M (BDI = 160), has some college education (BDI = 130), is employed as a secretary/clerk (BDI = 160), and is single or newly married. The drop in Virginia Slims development among married/formerly married women suggests that Virginia Slims somehow does not fit the married woman's lifestyle and thus, has limited opportunity as a lifetime brand.

VIRGINIA SLIMS DEVELOPMENT

	TOTAL FEMALES	18-24 FEMALES
Never Married	213	126
Married < 2 Years	182	96
Married 2+ Years	77	77
Formerly Married	77	48
Total BDI	100	100
Share	6.0%	10.7%

Sources: 1983 SDS, 1983 Tracker

- Most younger adult females smoke a dual sex brand -- not too masculine (e.g. CAMEL), but not strictly female (Virginia Slims). While specially targeted female brands will undoubtedly play a role in the future market, lifestyle trends suggest that commonalities between younger adult males/females are increasing over time, so that dual sex wants are likely to remain prevalent.
  - Younger adult females are increasingly moving into the workplace, at a more rapid pace than older women.

LABOR FORCE PARTICIPATION (%) AGES 20-24

	1960		1970		1975		1981
Females 20-24	46.1	⟶	57.7	⟶	64.1	⟶	69.6
Index vs. Total Females	122		127		133		134

  - Younger adult females have become as likely as males to attend college.

% COLLEGE ENROLLEES 18-24

	1960		1970		1975		1981
Males	63%		57%		53%		50%
Females	37	⟶	43	⟶	47	⟶	50

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- Females are increasingly opting to remain single during their younger adult years and to live alone.

Ages 20-24	% WHO HAVE NEVER MARRIED			
	1960	1970	1975	1981
Males	53.1	54.7	59.9 ⟶	69.5
Females	28.4 ⟶	35.8 ⟶	40.3 ⟶	51.9

	YOUNGER ADULT FEMALES LIVING ALONE			
	1960	1970	1975	1981
Number (M)	110	282	501	752

Source: Statistical Abstracts, 1982-83, pages 41 & 44

- Both younger adult males and females are more likly to say they "associate with the new ideas of men/women" than their older counterparts.

These increasing lifestyle commonalities suggest that females will continue to be more attracted to dual sex brands which adequately address their wants than to highly targeted female-only brands.

Key Points

- Younger adult female smokers have greatly increased in importance over the last 20 years and are likely to continue to slowly gain in importance, unless external factors intervene.
- Virginia Slims, or similar female-only brands, are likely to hold a niche in the future younger adult female market, but essentially dual sex brands which are attentive to female wants/concerns are likely to provide the larger opportunity.
- Style/dress remains a pronounced interest among younger adult females, but should be executed to provide a clear point of difference and not be "too bold".

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"MOVING UP IN THE WORLD"

"Moving up in the world" is a key want among all groups of younger adult smokers and the one which most distinguishes them from older smokers in the SDS. This is not surprising, given that they are in the process of developing their education and/or career and establishing their independence (which requires dollars).

Dollars may well be the key measure of success to younger adult smokers, since the desire to move up decreases as their incomes increase. Blue collar workers (who are the highest earning younger adults) are less upward striving than average. Education makes no difference.

Younger adult smokers are more likely than older to emphasize the "image" of success. They like to know important people and feel "there's nothing wrong with showing you've made it," regardless of race or sex.

Over the next 10 years, younger adults' desire to "move up" may become more frustrating, since the peak of the Baby Bubble will ride just ahead of them, clogging the traditional avenues of advancement and success. This suggests that they may move to alternate paths as other "powerless" minorities have done in the past.

- Some may compensate by seeking to acquire affordable status symbols, possibly a prestige/class cigarette brand. However, it is not entirely clear that the younger adult definition of "class" will entirely mesh with the status symbols prized by the older establishment, since they seem to prefer designer jeans to couturier originals and flair/individuality above elegance. B&H, the only established "prestige" brand has attracted some interest among younger adult Blacks/Hispanics but is underdeveloped among younger adult smokers as a whole.

- One option successfully used by entrepreneurial minorities in the past is to seek fame by exercising special talents in the public eye -- women achieved visible success through the stage or screen (or by marriage), Blacks moved up through sports and music, Jews became famous on the comedy circuits, "poor boys" from Liverpool or Mississippi made it with rock and roll.

  The desire to fame, the fantasy of "being discovered", and "star worship" appear to have been common among younger adults for generations in varying forms. Today's younger adults appear to be no exception:

  - In qualitative work, when younger adult smokers are asked to name their heroes, they tend to name performers rather than the sports figures (e.g., Jo Dimaggio) or political leaders (John Kennedy, Martin Luther King) who may have had more attention in the past.

  - The "Newsstand Weeklies" (People, National Enquirer, etc.) which key on performers, are the most-read periodicals among younger adult smokers (See Appendix M).

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- The TV series "Fame" appealed to younger adults and is returning via syndication.

Music is probably the most popular mode of performance among younger adult smokers:

- A special cable network, MTV, offers nothing but video renditions of popular younger adult music.
- Younger adult smokers in the SDS were twice as likely to actively participate in musical activities (i.e., actually play or sing) as smokers 25+ were.
- Younger adults tend to associate Marlboro with the occupation of musician. This was mentioned by 21% of smokers 18-24 rating Marlboro versus 14% of all smokers, the most pronounced difference found between older/younger adult responses. This is unusual, since Marlboro's only formal association with music has been some recent special events sponsorship. This suggests that these younger adult male Marlboro users may be characterizing themselves as they are or wish to be.

Although "fame" is a concept rather than an opportunity at present, it would represent an innovative point of difference from any past/present brand and appears to be relevant to younger adult wants/interests.

Key Points

- "Moving up in the world" is a key, enduring want among younger adult smokers and is likely to become of even higher importance as avenues for traditional success are increasingly blocked by the Baby Bubble.
- Younger adults tend to emphasize the image of success rather than "self improvement".
- A "status symbol" brand may attract some younger adult smokers, as an affordable compensation for other luxury items, if it can be executed to key on younger adult definitions of "class" and achieve clear difference versus competition.
- Limited opportunity to "move up" within the establishment may lead younger adults to more entrepreneurial means of success, such as fame via the performing arts, especially music. This meshes with younger adults' key activities/interests and apparently represents an enduring want applicable to both sexes and races. Therefore it may provide an innovative new brand/repositioning opportunity, clearly different from competition.

PRIORITY
Philip Morris

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APPENDICES

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NUMERICAL IMPORTANCE OF YOUNGER ADULT SMOKERS

Ages 18-24:	1975	1980	1981	1982	1983
% of Total Pop. 18+	18.8%	18.5%	18.3%	17.9%	17.5%
Incidence of Smoking					
Smoker % of 18-24 Pop.	36.0%	32.7%	31.7%	29.4%	29.0% (P)
Index vs. Total 18+	106	99	98	95	94 (P)
% of Smokers 18+	20.0%	18.3%	17.9%	16.9%	16.4% (P)

(P) = Preliminary Tracker Data

Sources: Incidence and Rate Report, Year 1982, MDD Tracker, and Census Bureau population estimates.

Ages 18-24 in 1988:	High Side (1)	Low Side (2)
% of Total Pop. 18+	14.9%	14.9%
Incidence of Smoking:		
Index vs. Total 18+	94	87
% of Smokers 18+	14.0%	13.0%

(1) High Side assumes younger adult incidence follows the same trend as the total population (18+).

(2) Low Side assumes younger adult incidence falls more rapidly than among total smokers, to the average degree seen from 1975 to 1983.

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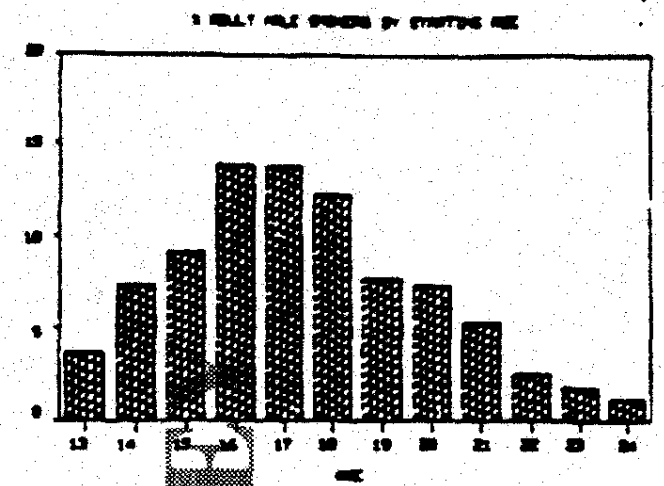
YOUNGER ADULTS' IMPORTANCE AS REPLACEMENT SMOKERS



- More than two-thirds of male smokers start by age 18. Only 5% start after age 24.

Current Male Smokers By Starting Age

	Cumulative %	
	Start By Age	Start After Age
12	9.8%	90.1%
13	13.4	86.6
14	20.8	79.2
15	30.3	69.7
16	42.9	57.1
17	53.6	46.4
18	68.7	31.3
19-20	84.0	16.0
21-24	94.6	5.4
25+	100.0%	---

Median = 16.7 years

Sources: Average of HEW data reported in Adult Use of Tobacco, 1970 and 1975.

- Although women of the early 1900's started to smoke at later ages than men, there has been little difference in recent decades.

Year of Birth	Median Starting Age of Female Smokers
1900-1920	20.0 years
1920's	18.5
1930's	17.7
1940's	17.1

Source: HEW, Changes in Cigarette Smoking Habits, 1955-66.

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APPENDIX C

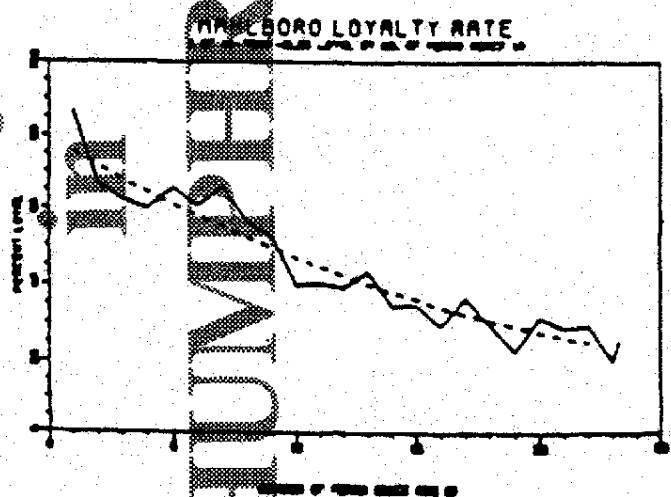
MARLBORO SWITCHING LOSSES -- ACTUAL VS. PREDICTED

- NFO: Avg. 1980 - First Half 1983

Age	Importance Of Age To Total Smokers *	Avg. Annual Gross Switching Loss ** Pts in Age	Wtd Pts Of Total	% Of Total
18-24	17.2%	-1.46	- .25	39%
25-34	25.8	- .64	- .17	27
35-49	27.6	- .40	- .11	17
50+	29.4	- .36	- .11	17
TOTAL	100.0%	- .64	- .64	100%

* Source: MDD Incidence/Rate Report, Year 1982; MDD Tracker, 1st Half, 1983.
** NFO gross switching losses within age converted to total and points of total by importance weights above.

- Predicted by SDS Loyalty Rates



Marlboro 18-Year-Olds

After -	0 Yrs	1 Yrs	2 Yrs	3 Yrs	4 Yrs	5 Yrs	6 Yrs	Average
% Remaining Loyal	100%	76%	72%	68%	65%	61%	58%	71%

Since 71% remain loyal, 39% must switch over the six years, i.e., an average of 6.5% per year among the average 71% of the original group who remain. 71% x 6.5% = 4.6% average annual switching loss.

Marlboro	Average 1980-83 (1st Half)
Tracker Share Among 18-24	35.3%
Avg. Importance of 18-24	x 17.2%
Value in Points of Total Smokers	6.1%
Average Annual Switching Loss	x -4.6%
	- .28 Points

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APPENDIX D

RJR/PM SWITCHING VS. SMOKER SHARE PERFORMANCE

	POINTS OF TOTAL SMOKERS			
	NET SWITCHING		SHARE	
	RJR	PM	RJR	PM
1980	+ .26	+ .45	33.3	29.2
1981	+ .27	- .25	32.1	31.0
1982	+ .42	+ .24	32.8	32.3
1983 (1st Half)	+1.00E	+ .36E	33.0	34.2
Avg. Change Per 6 Mo.	+ .41 ⟵	+ .18	- .1 ⟶	1.0

Sources: NFO and MDD Tracker

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EFFECTS OF AGING ON SHARE OF SMOKERS

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Method

The charts in this Appendix summarize an analysis of the relative importance of aging* and "other factors" (switching/quitting/starting) to changes in smoker share for Marlboro and Newport (menthol).

The analysis assumed that a brand's share was flat within the Tracker age brackets and simply aged its smokers year by year, within or across these age brackets. For example, in 1981, Marlboro had a 34.3% Tracker share among 18-24 and a 21.9% share among 25-34. For 1982, we would estimate that, if nothing but aging occurred, Marlboro would have a 34.3% share among those who aged from 24 to 25 and still a 21.9% share among 26-34, who did not leave their 1981 bracket. Since 25-year-olds were about 11% of all 25-34 smokers in 1982, a weighted average indicates aging would push Marlboro's share among 25-34 from 21.9% in 1981 to 23.3% in 1982, a gain of 1.4 points.

11%	x 34.3	= 3.8	points from 25 year olds
89%	x 21.9	= 19.5	points from 26-34
100%		23.3%	share among 25-34 if only aging occurred

Since Marlboro's Tracker share among 25-34 in 1982 was in fact only 23.0%, we presume the differences of about .3 was due to switching/starting/quitting among 25-34's that year.

In addition to the historical analysis, possible future effects of aging were conservatively projected for the brands by assuming that younger adults would drop in importance from 16.5% of all smokers in 1982 to 13.6% by 1988. Upside and downside future trends were calculated for each brand, with and without "other effects", based on the brand's history from 1980-83 (1st half).

Marlboro	D-1
Newport Menthol	D-2

* Gains within the younger adult group were considered aging contributions.

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EFFECTS OF AGING ON SHARE OF SMOKERS

MARLBORO

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HISTORICAL

		1980	1981	1982	1983	1980-83 Annual Avg. Chg.
-24	SMOKER SHARE	32.4	34.3	36.5	41.2	
	Change vs. Yr. Ago	+1.8	+1.9	+2.0	+4.9	+2.7
-34	SMOKER SHARE	20.1	21.9	23.0	24.9	
	Change vs. Yr. Ago	+.5	+1.8	+1.1	[illegible]	[illegible]
	Aging Effect	+1.2	+1.3	+1.4	[illegible]	[illegible]
	Other Effects	-.7	+.5	-.3	[illegible]	NC
49	SMOKER SHARE	11.0	11.4	12.0	13.3	
	Change vs. Yr. Ago	+1.0	+.4	+.6	+1.3	+.8
	Aging Effect	+.8	+.7	+1.0	+1.0	+.9
	Other Effects	+.2	-.3	-.4	+.3	-.1
	SMOKER SHARE	5.6	5.8	5.6	6.3	
	Change vs. Yr. Ago	+.1	+.2	-.2	+.7	+.2
	Aging Effect	+.2	+.2	+.2	+.2	+.2
	Other Effects	-.1	NC	-.4	+.5	NC
AL	18+ SMOKER SHARE	15.6	16.6	17.0	18.9	
	Change vs. Yr. Ago	+.6	+1.0	+.4	+1.9	+.9
	Aging Effect	+.7	+.9	+.8	+1.5	+.9
	Other Effects	-.1	+.1	-.4	+.4	NC

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Over the last 3 1/2 years, Marlboro has gained an average of .9 share points per year of total smokers.

Marlboro's long-term growth is entirely attributable to its large, steady gains among younger adults. Gains in older smoker groups appear to be solely the result of aging.

PROJECTED

- If Marlboro were to merely hold its 1983 share of younger adults and continue to be affected only by aging, its smoker share five years from now would be nearly 32%, a gain of 3 full points over the first half of 1983.

	1st Half 1983	PROJECTED 1984	1985	1988
Aging Effect				
18-24	41.2	41.2	41.2	41.2
25-34	24.9	26.6	28.1	32.1
35-49	13.3	14.3	15.4	18.5
50+	6.3	6.5	6.8	7.7
Total	18.9	19.1	19.8	21.9
Other Effects (Cum.)		NC	NC	NC
OVERALL	18.9	19.1	19.8	21.9

- If Marlboro were to continue to gain among younger adults at the rate seen since 1980, it could achieve a 55% share among younger adults and a 24% share of all smokers by 1988.

	1st Half 1983	PROJECTED 1984	1985	1988
Aging Effect				
18-24	41.2	43.9	46.6	54.7
25-34	24.9	26.6	28.2	33.8
35-49	13.3	14.3	15.4	18.5
50+	6.3	6.5	6.8	7.7
Total	18.9	19.5	20.6	24.2
Other Effects (Cum.)	-	-	-	-
OVERALL	18.9	19.5	20.6	24.2

APPENDIX E-1

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EFFECTS OF AGING ON SHARE OF SMOKERS

NEWPORT MENTHOL

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HISTORICAL

		1980	1981	1982	1st Half 1983	1980-83 Annual Avg. Chg.
8-24	SMOKER SHARE	6.1	7.0	7.6	8.5	
	Change vs. Yr. Ago	+.9	+.9	+.6	+.9	+.8
5-34	SMOKER SHARE	1.8	2.5	2.7	3.3	
	Change vs. Yr. Ago	+.1	+.7	+.2	+.6	+.4
	Aging Effect	+.4	+.5	+.5	+.5	+.5
	Other Effects	-.3	+.2	-.3	+.1	-.1
5-49	SMOKER SHARE	.7	.8	.8	1.0	
	Change vs. Yr. Ago	-.1	+.1	NC	+.2	+.1
	Aging Effect	+.1	+.1	+.2	+.2	+.2
	Other Effects	-.2	NC	-.2	NC	-.1
0+	SMOKER SHARE	.4	.4	.4	.2	
	Change vs. Yr. Ago	NC	NC	NC	-.2	NC
	Aging Effect	NC	NC	NC	NC	NC
	Other Effects	NC	NC	NC	-.2	NC
TAL 18+	SMOKER SHARE	1.9	2.2	2.3	2.6	
	Change vs. Yr. Ago	+.2	+.3	+.1	+.3	+.2
	Aging Effect	+.3	+.3	+.2	+.2	+.2
	Other Effects	-.1	NC	-.1	+.1	NC

Over the last four years, Newport has gained an average of .2 share points per year of total smokers.

Newport's long-term growth is entirely attributable to its large, steady gains among younger adults. Gains in older smoker groups appear to be solely the result of aging.

PROJECTED

- If Newport were to hold its 1983 share of younger adults and continue to be affected only by aging, its total smoker share 5 years from now would be 3.4%, a gain of .8 points over 1983.

	1st Half 1983	PROJECTED 1984	1985	1988
Aging Effect				
18-24	8.5	8.5	8.5	8.5
25-34	3.3	3.9	4.4	5.7
35-49	1.0	1.2	1.4	2.1
50+	.2	.2	.2	.3
Total	2.6	2.7	2.8	3.4
Other Effects (Cum.)		NC	NC	NC
OVERALL	2.6	2.7	2.8	3.4

- If Newport were to continue to gain among younger adults at the rate seen since 1980, its total smoker share could reach 4.1% by 1988.

	1st Half 1983	PROJECTED 1984	1985	1988
Aging Effect				
18-24	8.5	9.3	10.1	12.5
25-34	3.3	3.9	4.5	6.2
35-49	1.0	1.2	1.4	2.2
50+	.2	.2	.2	.3
Total	2.6	2.8	3.1	4.1
Other Effects (Cum.)		NC	NC	NC
OVERALL	2.6	2.8	3.1	4.1

APPENDIX E-2

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SOURCE OF BRAND PERCEPTIONS

- Younger adult smokers are more likely than older smokers to base brand perceptions on other people they see using the brand.

BASIS FOR USUAL BRAND PERCEPTIONS

	% of Total Smokers (2627)		% of Smokers 18-24 (443)	Index of 18-24 Vs. Total
Product	87.5%		88.2%	101
Advertising	45.3		43.9	97
Package	28.7		28.7	100
Name	35.0	——→	41.1	117
Other Users	38.9	——→	49.4	127

- Younger adult smokers are especially likely to basis their imagery of Marlboro and Newport on other users.

BASIS FOR USUAL BRAND PERCEPTIONS

	KEY BRAND IMPORTANCE		AVG. U.B. IMPORTANCE	MARL. VS. AVG. INDEX
MARLBORO (Base = 252)				
Product	83.8%	——→	88.2%	(95)
Advertising	48.8		43.9	111
Package	20.9	——→	28.7	(73)
Name	43.2		41.1	105
Other Users	58.4	←——	49.4	118
NEWPORT (Base = 79)				
Product	69.3%	——→	88.2%	(79)
Advertising	35.0	——→	43.9	(80)
Package	20.0	——→	28.7	(70)
Name	23.7	——→	41.1	(58)
Other Users	60.5	←——	49.4	122

——→ = Significantly higher at 80% confidence level.

Source: 1983 SDS

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APPENDIX H

DISTRIBUTION OF MARLBORO SWITCHING LOSSES

A brand's or company's effectiveness at drawing younger adult smokers from Marlboro can be measured by:

1. The size (points) of Marlboro's switching loss to that brand/company.
2. The percentage importance of that brand/company to Marlboro's losses.
3. The brand/company percentage of Marlboro losses versus its "fair share", based on its development among smokers 18-24.

BY COMPANY

During 1980-83 (1st half), Marlboro averaged a .36 point net switching loss every six months among younger adult smokers. Other Philip Morris brands were the beneficiaries of nearly half of Marlboro's net losses, allowing PM to keep twice its fair share of these younger adult smokers.

MARLBORO SWITCHING AMONG SMOKERS 18-24
Avg. per 6 Mo. 1980-83 (1st half)

Marlboro Switching vs:	Net Points of 18-24	% Importance To Marlboro Losses		Fair Share Of Marlboro Losses
ATC	+ .05	11%		2%
B&W	+ .10	---		18
Liggett	+ .01	2		1
Lorillard	- .17	38		15
Philip Morris	+ .22	49	<——	27
RJR	+ .00	---		37
TOTAL	- .36	100%		100%

Sources: NFO, MDD Tracker

BY BRAND

Virginia Slims and Merit were almost entirely responsible for retaining such a large proportion of younger adult Marlboro switchers within PM's corporate fold. Among RJR brands, VANTAGE was most effective at gaining 18-24 switchers from Marlboro.

MARLBORO SWITCHING AMONG SMOKERS 18-24
Avg. per 6 Mo. 1980-83 (1st half)

Marlboro Switching vs:	Net Points of 18-24	% Importance To Marlboro Losses		Fair Share Of Marlboro Losses
Virginia Slims	- .14	19%	<——	9%
Merit	- .07	10		8
Other PM	- .01	1		10
CAMEL	- .04	5		5
WINSTON	- .05	7		11
VANTAGE	- .09	12	<——	4
Other RJR	+ .18	---		17
All Other Brands	- .14	46		46
TOTAL	- .36	100%		100%

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APPENDIX 1

BLACK/WHITE YOUNGER ADULT DEVELOPMENT OF KEY BRANDS, 1940-83

SHARE AMONG 18-YEAR-OLDS

		1940-49	1950-54	1955-59	1960-64	1965-69	1970-74	1975-79	1978-83
PALL MALL	Black	--	16	38	19	--	--	--	--
	White	10	28	30	20	5	2	--	--
	Total	10	26	30	19	5	2	--	--
WINSTON	Black	--	6	30	30	40	9	5	--
	White	--	14	19	24	35	14	13	5
	Total	--	11	19	25	35	14	12	5
MARLBORO	Black	--	--	--	6	8	3	--	--
	White	--	--	3	12	21	48	44	56
	Total	--	--	3	12	20	44	41	50
SALEM	Black	--	--	9	8	8	15	27	15
	White	--	--	3	3	4	8	10	8
	Total	--	--	3	4	4	9	11	9
KOOL	Black	5	--	19	12	17	56	44	34
	White	1	2	1	2	4	11	11	5
	Total	1	1	3	3	6	14	15	8
NEWPORT	Black	--	--	--	--	1	5	15	33
	White	--	--	1	2	3	--	6	9
	Total	--	--	1	1	3	1	7	11

Source: 1983 Segment Description Study

APPENDIX 1

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ETHNIC SPENDING
($ IN 1,000'S)

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SALEM				Kool				Newport				SEGMENT	INDUSTRY
$	$ Tot Brnd $	$ Segm $	$ Ind $	$	$ Tot Brnd $	$ Segm $	$ Ind $	$	$ Tot Brnd $	$ Segm $	$ Ind $	$	$
32.3	0.1	2.4	0.9	779.8	3.8	58.8	22.8	514.6	16.1	38.8	15.1	1,326.7	3,416.9
725.0	5.5	55.7	22.7	576.0	2.7	44.3	18.0	0	0	0	0	1,301.0	3,198.3
958.1	4.9	74.2	25.9	325.5	1.7	25.6	9.0	0	0	0	0	1,283.6	3,625.9
1,109.0	5.5	55.0	24.3	908.0	5.5	45.0	19.9	0	0	0	0	2,017.0	4,564.0
1,555.0	7.5	49.5	23.1	1,484.0	7.2	47.3	22.0	100.0	1.6	3.2	1.5	3,139.0	6,744.0
1,776.0	8.3	40.3	19.0	2,427.1	10.8	55.0	26.0	207.4	3.0	4.7	2.2	4,410.5	9,349.9
1,550.0	5.9	39.1	20.2	2,200.0	8.9	56.3	29.1	180.0	2.8	4.6	2.4	3,930.0	7,555.0
1,405.0	5.6	46.1	16.9	1,335.0	4.1	43.8	16.1	310.0	2.9	10.2	3.7	3,050.0	8,310.0
1,670.0	5.7	51.1	20.4	1,210.0	4.1	37.0	14.8	390.0	4.1	11.9	4.8	3,270.0	8,180.0
NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
2,589.4	3.7	39.0	25.3	2,629.5	9.1	39.6	25.7	1,422.0	11.6	21.4	13.9	6,640.9	10,228.3
2,199.9	4.2	46.7	21.8	1,300.9	8.3	27.6	12.9	1,210.7	5.3	25.7	12.0	4,711.5	10,111.8
4,491.3	6.0	39.7	17.6	4,176.1	6.0	36.9	16.8	2,657.3	14.9	23.5	10.4	11,324.7	25,498.8
4,804.1	9.2	39.9	15.7	4,145.9	9.4	34.4	11.8	3,095.6	15.9	25.7	8.8	12,045.6	35,004.0

t. YTD)

: Newport spending was essentially confined to North Atlantic/North Central Area until approximately 1981.

APPENDIX J

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OUT-OF-HOME SPENDING
($ IN 1,000'S)

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SALEM $	$ Tot Brnd $	$ Segm $	$ Ind $	Kools $	$ Tot Brnd $	$ Segm $	$ Ind $	Newport $	$ Tot Brnd $	$ Segm $	$ Ind $	SEGMENT $	INDUSTRY $
784.0	3.5	60.6	9.6	274.0	1.3	21.2	35.0	236.4	7.4	18.3	2.9	1,294.4	8,151.4
5,754.0	43.4	41.5	9.1	7,111.2	33.6	51.2	11.3	1,010.8	84.6	2.3	1.6	13,876.0	62,898.9
6,101.0	31.9	38.7	9.6	7,910.0	41.7	50.3	12.5	1,740.1	45.2	11.0	2.7	15,751.1	63,542.6
7,276.0	35.8	43.6	11.2	7,546.0	37.5	46.2	11.6	1,867.0	42.5	11.2	2.9	16,690.0	64,964.0
7,707.0	36.1	38.7	10.9	8,752.0	42.6	43.9	12.3	3,474.0	55.9	17.4	4.9	19,933.0	71,019.0
8,999.0	39.8	42.8	11.1	8,953.0	39.8	44.7	11.7	2,499.4	36.7	12.5	3.3	20,007.4	76,809.4
10,310.0	39.9	52.7	10.3	8,960.0	36.2	45.8	8.9	2,910.0	49.2	1.5	2.9	19,560.0	100,160.0
9,740.0	39.1	41.5	8.0	8,695.0	26.8	37.0	7.1	5,050.0	47.1	21.5	4.1	23,485.0	121,850.0
6,350.0	21.7	25.4	4.5	15,665.0	46.6	54.8	9.7	4,940.0	52.1	19.8	3.5	24,955.0	140,950.0
NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
15,296.8	22.0	45.7	9.1	12,498.0	42.9	37.2	7.4	5,744.3	46.9	17.1	3.4	33,498.1	168,223.4
18,624.2	34.6	55.2	8.9	2,943.8	18.9	8.7	1.4	12,141.9	52.7	36.0	5.8	33,709.9	208,497.2
17,095.6	22.7	35.2	7.1	20,619.9	29.5	42.4	8.5	10,900.8	61.3	22.4	4.5	48,616.3	241,198.8
16,594.2	31.6	37.7	7.4	15,932.5	36.0	36.2	7.1	11,473.2	58.9	26.1	5.1	43,959.9	224,115.4

YTD)

Newport spending was essentially confined to North Atlantic/North Central Area until approximately 1981.

otes "Outdoor" only.

APPENDIX J

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NEWPORT VS. KOOL PRODUCT

Competitive product test results showed Newport King and Kool King to be at parity on overall 7+ ratings among full flavor menthol smokers ages 18-24 in 1982. However, Newport was significantly more mild/smooth and less strong/harsh than Kool.

	KOOL (192)		NEWPORT (163)
(Base Size)			
Overall %70+ Rating	51.6		56.4
Attributes			
More satisfying	4.16		4.33
Stronger	4.11	←	3.79*
More harsh	3.66*	←	3.07*
Smoother	3.91*	→	4.40*
Milder	3.88	→	4.17
More tobacco taste	3.96		3.71*
More tobacco than menthol	3.96*		3.95*
More menthol	4.16*	←	3.86*
Cooler	3.84*		3.83*
Less good aftertaste	4.03	←	3.67
Artificial tasting	3.94		3.77
Bitter tasting	3.58	←	2.95
Easier draw	4.80		4.87
Burns faster	4.04*	←	3.81*

Interpretation Note:

The arrow indicates a significant difference between the two products with the arrow pointing towards the product which is more in agreement with the attribute on the left. An asterisk indicates a significant difference versus the ideal.

Source: MDD 82-21223, 82-21230

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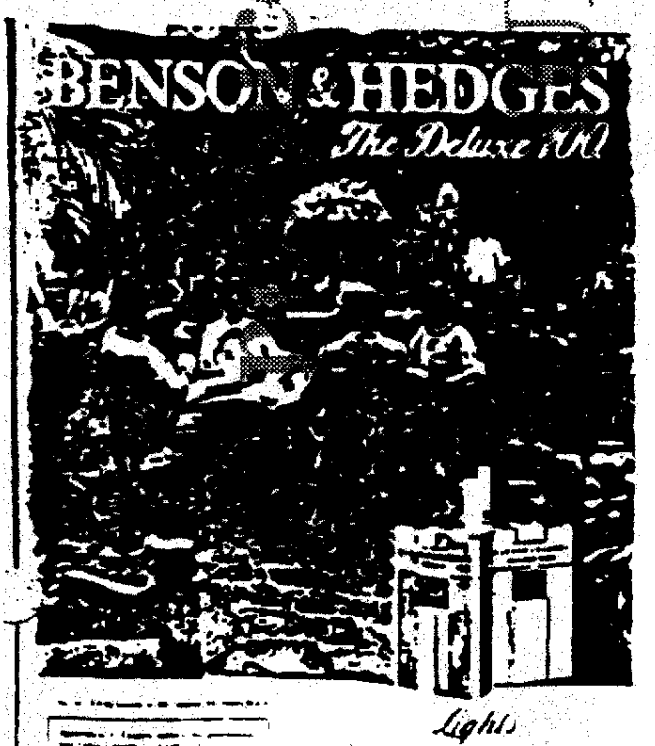
PHILIP MORRIS SPECIAL MARKET PROGRAMS



ETHNIC SPENDING ($M)

	1980	1981	1982	1983
Marlboro	28	31	1028	1127
B&H	618	921	2653	2888
V. Slims	523	588	2340	1945

Source: Media Department

BEST IMAGE

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HUMPHREY

CLAIMED READERSHIP AMONG 18-24 YEAR OLD SMOKERS

MAGAZINES	TOTAL REACH (%)	TOTAL EFFICIENCY vs. TOT. 18+	MALE REACH (%)	MALE EFFICIENCY vs. MALE 18+	FEMALE REACH (%)	FEMALE EFFICIENCY vs. FEM. 18+	WHITE REACH (%)	WHITE EFFICIENCY vs. WHITE 18+	BLACK REACH (%)	BLACK EFFICIENCY vs. BLACK 18+
Newsstand Weekly	73	104	64	100	81	107	75	106	74	96
Men's General	44	135	66	137	23	146	43	142	48	117
News Weeklies	40	83	41	78	38	90	39	82	44	87
Selective Female	39	132	11	76	65	143	37	144	42	98
Reader Sports	38	121	56	120	24	133	36	124	49	113
Women's General	38	78	19	89	62	89	37	80	43	87
Hunt/Fish/Outdoors	34	111	47	107	20	136	35	114	32	102
Automotive	33	160	54	166	13	168	34	169	24	115
Shelter	32	72	16	50	47	82	28	67	49	91
General	29	89	27	79	31	100	25	84	46	103
Fashion	24	149	6	109	41	150	21	151	36	144
Mechanical	21	92	33	92	9	114	20	86	19	109
Black	19	123	15	103	24	139	3	143	88	108
Literary	16	111	19	107	13	122	15	120	20	85
How To	15	62	8	47	22	69	16	61	17	78
Participant Sports	15	92	16	72	13	144	14	85	17	112
Business/Finance	15	73	17	67	12	86	12	61	23	97
Epicurean	9	64	4	40	13	75	8	59	12	90

Index of readership among 18-24 group vs. indicated smoker total.

[ ] = Top 4 magazine categories based on Reach X Efficiency.

Source: 1983 Segment Description Study

APPENDIX N

BEST IMAGE

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YOUNGER ADULT TARGET DEFINITION AIDS

The charts in this Appendix summarize demographic differences within the younger adult smoker population which may be relevant to brand target definition.

For selected brands, the tables provide:

- Brand share/development by sex, education, race, and sex within race from NDD Tracker (Year 1983). Share and development by income level and for education within race/sex have been approximated by applying the relative development found in the 1983 SDS to the overall development shown on Tracker.
- Opportunity/Vulnerability Indices by demos, from the 1983 SDS.
  - The Vulnerability Indices reflect the proportion of the brand's franchise (in that demo) which are not core smokers of the brand and would therefore be relatively open to competitive appeals.
  - The Opportunity Indices reflect the extent to which the brand might further capitalize on positive smoker attitudes (within the demo) by drawing more of its fringe into its franchise.

  Both indices are relative to the Opportunity/Vulnerability of the average brand in the total market.

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NEWPORT

	USUAL BRAND SMOKERS Share In Demo.	USUAL BRAND SMOKERS Development Index	OPPORTUNITY INDEX	VULNERABILITY INDEX
Total Smokers 18+	2.8%	—	93	116
TOTAL SMOKERS 18-24	8.9	100	74	89
Black	36.4	409	57	109
White/Other	5.3	60	88	78
Male	7.6	85	80	103
Female	10.2	115	69	78
Beyond H.S.	8.4	94	50	80
H.S. or Less	9.2	103	89	96
Under $15M	10.5	118	86	85
Over $15M	7.8	88	59	101
Black 18-24				
Male	35.8	402	59	131
Female	36.9	415	55	88
Beyond H.S.	48.6	546	45	80
H.S. or Less	30.6	344	67	134
Under $15M	33.9	381	80	98
Over $15M	44.2	497	18	122
White 18-24				
Male	4.3	48	102	88
Female	6.4	72	77	71

* Small base size.

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APPENDIX N

KOOL

	USUAL BRAND SMOKERS: Share In Depo.	USUAL BRAND SMOKERS: Development Index	OPPORTUNITY INDEX	VULNERABILITY INDEX
Total Smokers 18+	6.6%	--	89	88
TOTAL SMOKERS 18-24	6.7	100	83	94
Black	21.8	325	63	99
White/Other	4.7	70	95	87
Male	6.7	100	63	124
Female	6.7	100	99	63
Beyond H.S.	4.0	60	95	88
H.S. or Less	7.8	116	77	97
Under $15M	8.3	124	83	110
Over $15M	4.4	66	82	77
Black 18-24				
Male	24.1	360	58	110
Female	19.9	297	69	84
Beyond H.S.	17.3	259	59	126
H.S. or Less	25.1	375	65	88
Under $15M	28.8	429	50	124
Over $15M	12.1	181	100	22
White 18-24				
Male	4.7	70	66	133
Female	4.8	72	115	38

* Small base size.

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SALEM

	USUAL BRAND SMOKERS Share In Demo.	Development Index	OPPORTUNITY INDEX	VULNERABILITY INDEX
Total Smokers 18+	9.4%	--	77	103
TOTAL SMOKERS 18-24	8.1	100	84	126
Black	13.6	168	123	83
White/Other	7.4	91	67	140
Male	5.8	72	110	125
Female	10.4	128	64	126
Beyond H.S.	8.2	101	101	157
H.S. or Less	7.9	98	76	115
Under $15M	7.4	92	89	125
Over $15M	8.4	104	84	120
Black 18-24				
Male	10.6	131	139	63
Female	16.0	198	109	95
Beyond H.S.	13.4	165	125	95
H.S. or Less	11.4	141	95	133
Under $15M	7.3	90	76	82
Over $15M	21.4	264	162	81
White 18-24				
Male	5.3	65	98	142
Female	9.6	119	42	138
Beyond H.S.	6.2	77	91	175
H.S. or Less	8.3	102	52	123
Under $15M	7.5	92	47	139
Over $15M	7.1	87	86	132

* Small base size.

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MARLBORO

	USUAL BRAND SMOKERS Share In Demo.	Development Index	OPPORTUNITY INDEX	VULNERABILITY INDEX
Total Smokers 18+	18.9%	--	77	97
TOTAL SMOKERS 18-24	41.2	100	42	112
Black	6.1	15	163	95
White/Other	45.8	111	43	113
Male	49.0	119	44	121
Female	33.5	81	39	100
Beyond H.S.	33.9	82	42	127
H.S. or Less	44.2	107	40	103
Under $15M	41.6	101	44	130
Over $15M	41.2	100	40	96
Males 18-24				
Black	11.3	27	219	189
White/Other	53.5	130	45	126
Beyond H.S.	48.3	117	43	149
H.S. or Less	50.3	122	41	106
Under $15M	53.1	129	41	133
Over $15M	45.5	110	49	105
Females 18-24				
Black	1.8	4	113*	95*
White/Other	38.0	92	39	96
Beyond H.S.	32.5	79	41	99
H.S. or Less	33.7	82	38	98
Under $15M	30.7	75	48	125
Over $15M	36.6	89	28	85

* Small base size.

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CAMEL

	USUAL BRAND SMOKERS Share In Demo.	Development Index	OPPORTUNITY INDEX	VULNERABILITY INDEX
Total Smokers 18+	4.5%	--	101	99
TOTAL SMOKERS 18-24	3.8	100	123	138
Black	.8	21	*	*
White/Other	4.2	111	123	138
Male	6.2	163	121	162
Female	1.4	37	134	0
Beyond H.S.	4.8	126	65	145
H.S. or Less	3.4	89	161	126
Under $15M	5.1*	133*	109*	109*
Over $15M	2.0*	75*	140*	189*

* Small base size.

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VIRGINIA SLIMS

	USUAL BRAND SMOKERS			
	Share In Demo.	Development Index	OPPORTUNITY INDEX	VULNERABILITY INDEX
Total Smokers 18+	3.0%	--	116	82
TOTAL SMOKERS 18-24	5.4	100	117	94
Black	3.5	65	153	108
White/Other	5.7	106	115	83
Male	.1	2	*	*
Female	10.7	198	117	94
Beyond H.S.	7.3	135	103	93
H.S. or Less	4.6	85	128	94
Under $15M	4.8	88	111	77
Over $15M	5.8	108	119	109
Female 18-24				
Black	6.0	111	153	108
White/Other	11.4	211	115	88
Beyond H.S.	13.7	254	103	93
H.S. or Less	8.8	163	128	94
Under $15M	9.3	173	111	77
Over $15M	12.3	227	119	109

* Small base size.

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VANTAGE

	USUAL BRAND SMOKERS		OPPORTUNITY INDEX	VULNERABILITY INDEX
	Share In Demo.	Development Index		
Total Smokers 18+	3.9%	--	110	101
TOTAL SMOKERS 18-24	2.4	100	147	129
Black	.5*	21*	*	*
White/Other	2.7	113	148	128
Male	2.7	113	150	189
Female	2.2	92	143	47
Beyond H.S.	3.3	138	107	95
H.S. or Less	2.1	88	132	141
Under $15M	.9*	36*	136*	24*
Over $15M	4.1*	171*	111*	160*

* Small base size.

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MERIT

	USUAL BRAND SMOKERS Share In Demo.	USUAL BRAND SMOKERS Development Index	OPPORTUNITY INDEX	VULNERABILITY INDEX
Total Smokers 18+	4.9%	--	94	101
TOTAL SMOKERS 18-24	4.8	100	129	93
Black	.5	10	*	*
White/Other	5.4	113	128	92
Male	5.0	104	141	91
Female	4.6	96	113	95
Beyond H.S.	7.6	158	140	88
H.S. or Less	3.6	75	128	91
Under $15M	4.1*	84*	142*	108*
Over $15M	4.9*	102*	127*	91*

* Small base size.

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September 3, 1987

TO: Mr. J. T. Winebrenner

FROM: F. V. Creighton

RE: "WHITE PAPER" ON CAMEL ADVERTISING DEVELOPMENT

The following provides an overview of key learning to date which served as input to the development of the most effective advertising strategy for CAMEL. Topics to be covered in this document include:

I. Importance of Younger Adult Smokers

II. Why CAMEL Has An Opportunity To Target Younger Adult Smokers

III. Strengths And Weaknesses of CAMEL's In-Market Perceptions and Current Advertising

IV. Guidelines for CAMEL's Advertising Development

This document is based on research findings from a variety of different sources. We have opted not to use extensive numbers and tables, but could provide detailed support for any specific items.

The contents of this white paper have been reviewed with Lynn Breininger. We will be glad to discuss and review any revisions that you think are appropriate. Our plans are that this document will be reworked into a presentation for the meeting scheduled with McCann in New York next week.

Fran Creighton

Frances V. Creighton

fvc:pm

cc: Mr. L. W. Hall, Jr.
Mr. A. R. Cox
Mr. D. N. Iauco
Mr. R. M. Sanders
Ms. L. J. Breininger

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EXHIBIT
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EXHIBIT
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MANGINI

HUMPHREY

CAMEL ADVERTISING DEVELOPMENT

"WHITE PAPER"

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TOPICS

I. Importance of Younger Adult Smokers

II. Why CAMEL Has An Opportunity To Target Younger Adult Smokers

III. Strengths And Weaknesses of CAMEL's In-Market Perceptions and Current Advertising

IV. Guidelines for CAMEL's Advertising Development

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I. IMPORTANCE OF YOUNGER ADULT SMOKERS

The future success of any cigarette brand is driven by its ability to attract younger adult smokers, between the age of 18 and 24 years old. In fact, smokers aged 18-24 determine the future trends of the tobacco industry.

- Only about 5% of all smokers start smoking after the age of 24 years old.
- The majority of younger adult smokers will stay loyal to their first brand choice.
- More than 40% of the Virile Segment's current total business is a result of brand choices of smokers at age 18.
- The aging of younger adult smokers combined with their brand loyalty guarantees the growth of a brand for decades. Even if a brand falls from grace among younger adult smokers, the increasing consumption [redacted] of the aging franchise can carry the brand's performance for years, thus extending its life cycle. WINSTON's share among younger adult smokers peaked in the mid-60's when Marlboro's repositioning began to take hold among this target, however, WINSTON continued to [redacted] until the late 70's. WINSTON's growth and subsequent decline can be attributed to its performance among younger adult smokers.
- Marlboro, which has 55% of 18-24 year old smokers, and 75% of non-menthol 18-24 year old smokers, grows approximately 1.0 total market share points every year due to gains among younger adult smokers. Although Marlboro sustains yearly net switching losses among total smokers, the substantial yearly gains among younger adult smokers more than offset switching losses and thus ensures continued brand growth. Previous brands including WINSTON and Pall Mall showed the same pattern and ensuing strong share growth until [redacted] after they lost appeal among younger adult smokers.

II. WHY CAMEL HAS AN OPPORTUNITY TO TARGET YOUNGER ADULT SMOKERS

CAMEL has an opportunity to capture the younger adult smoker market as evidenced by the high responsiveness that it has already demonstrated in the marketplace among younger adult smokers.

A. CAMEL has maintained a growing share trend in the Pacific/Mountain Sales Area since the late 60's when the filter style was introduced (supported by "I'd Walk A Mile"). The primary factor contributing to the continued momentum of CAMEL in the PMSA is younger adult smokers.

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II. WHY CAMEL HAS AN OPPORTUNITY TO TARGET YOUNGER ADULT SMOKERS (Cont.)

- CAMEL Ex. Regular styles have grown from 1.1% share of market in 1970 to 5.6% in 1985 in the Pacific/Mountain. Share growth has been highly accelerated versus CAMEL Ex. Regular total U.S. share.

CAMEL Ex. Regular
MSA -- Total US. Vs PMSA

	1970	1975	1980	1985
Total U.S..	.92	1.07	2.04	2.60
PMSA	1.11	1.72	3.87	5.62

- Smokers 18-34 years old represent more than 60% of the Ex. Regular style's profile in the PMSA. Currently, CAMEL Ex. Regular styles own 11% of total 18-24 year old male smokers there. CAMEL Ex. Regular is, and has been substantially overdeveloped in the PMSA. This is due primarily to strengths among younger adult smokers - particularly 18-24 year old men for as far back as our Share of Smoker tracking goes (1980) and likely before.

- In the Mid-West Sales Area where CAMEL was previously only average among 18-24 year old males, younger adult smoker targeted promotions for CAMEL resulted in dramatic share growth of more than ten smoker share points among this group.

- Between March 1985 and January 1986, CAMEL executed continuous promotions against younger adult Mid-West Sales Area male smokers. These included:

  - Buy One Get One Free's,
  - A "six pack" offer of CAMEL Buy Three Get Three Free with coupon inserts,
  - A "French CAMEL" T-shirt offer through a toll free number.

- Redemption of the T-shirt offer was nearly three times higher than CAMEL's average participation in FSI coupons. The profile of participants included 70% of adult smokers 34 years old and under and extremely high redemption of 40% among target competitive smokers.

- CAMEL's Midwest share among males, 18-24 years old grew from 3.0% in late 1984, to a peak level of 13.6% in March, 1986 at the completion of these targeted activities. This trend subsequently declined indicating that although CAMEL was able to stimulate a high interest among target smokers, there wasn't sufficient reason for them to convert over the long-term. This would suggest an opportunity to provide a more relevant and motivating targeted image via new advertising.

MARIGINI MITCHEY

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II. WHY CAMEL HAS AN OPPORTUNITY TO TARGET YOUNGER ADULT SMOKERS (Cont.)

C. In the WINSTON/CAMEL pack action outlet test markets this year, continuous targeted support was placed in younger adult smoker frequented convenience stores/service stations. CAMEL achieved significant share growth and gains from competitive brands, especially Marlboro. In fact, CAMEL's growth was driven by younger adult smokers, and was substantially greater than what WINSTON achieved with the same effort.

- CAMEL's cumulative share gain from August-February, 1987 was +3.2% in convenience stores/serivce stations with younger adult smoker targeted CAMEL support. These gains were at the direct expense of Marlboro which lost almost two share points in the same period.

- Given the same targeted promotion support in separate test areas CAMEL achieved an even greater share increase than WINSTON (+2.8%), whose gains were primarily from Brown & Williamson and Lorillard.

- Participation in CAMEL promotion activities skewed highly younger adult smoker (i.e., 60% - 70% 18-34 year olds) while WINSTON was split more evenly between smokers under and over 35 years old.

STRENGTHS AND WEAKNESSES OF CAMEL'S IN-MARKET PERCEPTIONS AND CURRENT ADVERTISING

CAMEL's in-market image has many strengths against younger adult smokers. However, current advertising for CAMEL does not overcome the major user image weaknesses driving negative perceptions among the target.

A. CAMEL's current existing market image (i.e., brand perceptions, not advertising perceptions) includes aspects that are highly consistent with the wants of younger adult males, and have a strong fit with what CAMEL has always stood for, including:

- independence
- doesn't follow crowd
- lives by own set of rules
- stands up for beliefs
- not afraid to express individuality
- enjoys being different
- won't settle for ordinary

Perceptions of CAMEL on these specific dimensions are very positive and yet are not in any way extreme. In fact, younger adults' perceptions of CAMEL as independent/individualistic fall short of the ideal wants, which suggests an opportunity to leverage this type of positioning among the target.

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III. STRENGTHS AND WEAKNESSES OF CAMEL'S IN-MARKET PERCEPTIONS AND CURRENT ADVERTISING (Cont.)

B. The major weaknesses in CAMEL's in-market image is that it is not considered by younger adult smokers to be contemporary, and thus is not relevant. Negative perceptions include:

- not up-to-date/contemporary
- not exciting to be with
- a lot older than me

C. CAMEL's current advertising has many strengths relative to the desired "independent/individualistic" user image among target smokers. Testing of the current advertising indicated that it communicates the following user characteristics in a positive way:

- Knows how to have a good time
- Free-spirited
- Independent
- Self-confident
- Exciting to be with
- Doesn't follow the crowd
- Lives life to the limit
- Resourceful
- Lives by his own rules
- In control of life

In an attempt to address CAMEL's weaknesses and the "loner/isolationist" aspects of the original Bob Beck campaign, an alternative campaign "Share A New Adventure" was developed. This campaign used models that were not as old looking and used more relevant situations to address the brand's "older" image weaknesses. Additionally, these models were used to overcome the loner aspects of the former advertising.

- Advertising research of executions similar to CAMEL's current in-market campaign, which provides a more social arena for the CAMEL user, has shown that the CAMEL smoker becomes less of a "loner" than in the previous advertising. "Share A New Adventure" improved perceptions of the CAMEL user as more exciting to be with and more a part of a crowd. However, this campaign pushes CAMEL's user image even older than its in- market image among younger adult smokers. This suggests that although the current advertising is in tune with younger adult smokers' desire to be "individuals" and "accepted by friends", this more "traditional" format is not sufficiently contemporary to reposition CAMEL as a younger adult smoker brand.

IV. GUIDELINES FOR CAMEL'S ADVERTISING DEVELOPMENT TO ACHIEVE ITS DESIRED POSITIONING AMONG YOUNGER ADULT SMOKERS

As background, CAMEL's desired positioning is an effective one to reposition CAMEL among younger adult smokers.

> The advertising will position CAMEL as an authentic brand for smokers who are admired and respected by their peers because their attitudes and lifestyles distinguish them as individuals who have their own identity and make their own decisions.

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IV. GUIDELINES FOR CAMEL'S ADVERTISING DEVELOPMENT TO ACHIEVE ITS DESIRED POSITIONING AMONG YOUNGER ADULT SMOKERS (Cont.)

This positioning is appropriate because:

- CAMEL's desired positioning capitalizes on its well-defined in-market image and provides CAMEL with the opportunity to build off its in-market strengths.

- In addition, the "independent/individualist" positioning addresses meaningful and relevant wants among younger adult target smokers. These include:

  - Being different in a positive way,
  - demonstrating success via the respect and admiration of peers.

In order to successfully accomplish this repositioning among younger adult smokers, CAMEL must:

1. Displace Marlboro as brand of choice among younger adult smokers.
2. Positively differentiate versus Marlboro.
3. Connect in-market weaknesses/make a younger adult smoker statement.
4. Elicit an emotional response rather than purely a rational response. An emotional reaction positively motivates the consumer into rethinking CAMEL.
5. Leverage current CAMEL strengths.

1. In order to fully target the younger adult market, CAMEL must displace Marlboro as the younger adult brand. Simply speaking, Marlboro is the younger adult smoker market. It currently has a 75% share among 18-24 year old non-menthol smokers. Any effort against younger adult smokers will naturally have to impact primarily Marlboro.

2. In order for CAMEL to displace Marlboro, the advertising must positively differentiate CAMEL from Marlboro's in-market position as well as its advertising communication. A brand as big and established as Marlboro among younger adult smokers cannot easily be beaten at its own game. While it would be nice if CAMEL could outdo Marlboro at what Marlboro sells, success is more likely through differentiation. Marlboro's key strength relates to peer acceptability and belonging.

   In-Market Position: Marlboro is perceived by younger adult smokers as a brand which provides a sense of belonging to the peer group. A variety of research studies including the Segment Description Study, the Marlboro Vulnerability Analysis, in-market perception research, as well as in-depth qualitative all show this. Focusing CAMEL against peer acceptability and belonging would be trying to outdo Marlboro at its very strength.

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MANDATORY

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IV. GUIDELINES FOR CAMEL'S ADVERTISING DEVELOPMENT TO ACHIEVE ITS DESIRED POSITIONING AMONG YOUNGER ADULT SMOKERS (Cont.)

Advertising Communication: Marlboro's in-market perceptions are not being driven by its advertising, but are driven more by peers. Research indicates that the message communicated to younger adult smokers by the "Marlboro Country" campaign is nearly identical to the "CAMEL World" campaign. Both campaigns have the same key weaknesses:

- not up-to-date/contemporary
- not emulatable/respected by friends
- not exciting to be with
- not one of my friends
- a lot older than me.

3. To make CAMEL a relevant brand to younger adult smokers, the key image weakness of "too old" must be corrected. As shown by the advertising research for "Share A New Adventure", this cannot be accomplished solely by incorporating less "old" looking models in more "relevant" situations. Exhaustive in-depth qualitative research shows that younger adult smokers see advertising as "younger adult oriented" when it is speaking directly to them.

- Correcting this weakness requires something more specific than just being "likeable". Likeability is not enough to motivate switching. "Marlboro Country" and "CAMEL World" are "likeable" campaigns, but do not speak directly to the target.

- It does not necessarily require that wants of younger adult smokers which alienate older age groups be used. Research has suggested that while differences in wants do exist, extremes which alienate older smokers will also alienate a portion, or most, younger adult smokers as well.

- The advertising should elicit an emotional response to positively motivate target smokers to rethink their brand choice. Research indicates that younger adults are entrenched in their daily purchase patterns such that they do not "think" their brand choice. They buy their Marlboro's a pack a day - every day - and never think about the purchase. For most smokers, the cigarette "decision process" is non-existent or at best superficial. This is particularly true among younger adult smokers who are still driven by peer pressure and are surrounded by Marlboro smokers. On a qualitative note, we have even seen younger adult smokers dumbfounded when asked what brand they would smoke if Marlboro was taken off the market. They had no answer and had never thought about it.

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MANUAL

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IV. GUIDELINES FOR CAMEL'S ADVERTISING DEVELOPMENT TO ACHIEVE ITS DESIRED POSITIONING AMONG YOUNGER ADULT SMOKERS (Cont.)

In order to stimulate them to think about brand alternatives, the advertising and brand personality must elicit an emotional response from the target consumer. Since CAMEL does not have a demonstratably different or unique product (rational) benefit to sell, this emotional response is unlikely to be accomplished with advertising which looks conventional or traditional. Studies have shown that the so-called "hot buttons" for younger adults include some of the following themes:

- Escape into imagination: Yankelovich data suggests that escape into imagination provides a differentiating and leverageable way to reach younger adults.
  - The inclination to deal with life by escaping into imagination differentiates the target from older smokers.
  - And it appears to be particularly leverageable because it is growing.
  - Fantasy to these smokers can mean imagining a place to escape to or an image of yourself that is better than reality.
- Excitement/fun is success: Younger adults center their lives on having fun in every way possible and at every time possible. Their definition of success is "enjoying today" which differentiates them from older smokers. Advertising which incorporates an "exciting", "fun", "humorous" theme provides a way for these smokers to "feel good" about the message, and thus generates a positive and relevant emotional response. Importantly, the most recent Yankelovich Monitor suggests this would not alienate the older age groups.

5. The advertising should build on CAMEL's strengths so that it will be truly ownable by CAMEL:
   - CAMEL's current positioning is based on positive in-market perceptions.
   - CAMEL's unique package graphics continue to provide a large source of interest and appeal to younger adult smokers.
   - CAMEL's authentic brand heritage as a cigarette with full flavored, quality tobacco taste is consistent with the product wants of younger adults.

The guidelines for a younger adult-oriented advertising strategy presented here are not expected to alienate CAMEL's current franchise.

- The brand's older franchise (35 years and older) is dominated by the brand's non-filter style where brand loyalty is extremely high.
- Nearly half of the current Ex. Regular franchise is under 35 years old.

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MAINPRINT

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IV. GUIDELINES FOR CAMEL'S ADVERTISING DEVELOPMENT TO ACHIEVE ITS DESIRED POSITIONING AMONG YOUNGER ADULT SMOKERS (Cont.)

- The development of an effective advertising campaign to position CAMEL as a younger adult brand does not require "extreme" propositions, and as such does not automatically imply alienation of older smokers.

- Importantly, alternative campaigns can be tested among both target smokers as well as among CAMEL's current franchise, if there is a concern regarding the message communication and the attitudes/feelings generated by the advertising among both groups.

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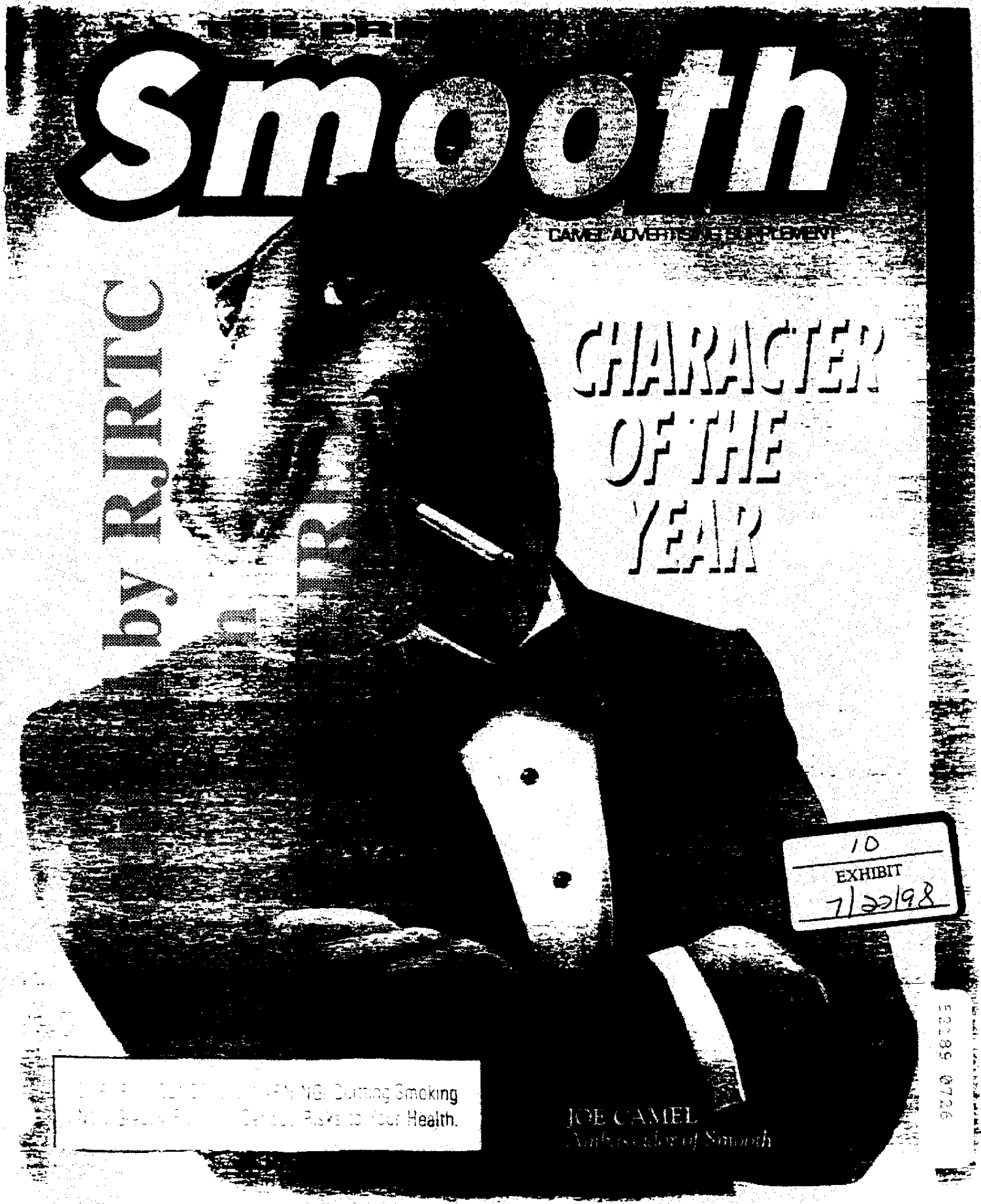

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Smooth

IS A CAMEL ADVERTISING SUPPLEMENT

FEATURES

Produced by DIRTC

Letters
We dug out some of the best from our files

8

EXCISE 3

Joe's Smooth Philosophy
"Travelling first class," and other pearls of wisdom straight from the camel's mouth.

IV

MONUMENTALLY SMOOTH

TAKE A TOUR OF JOE'S PERSONAL HALL OF FAME AND GET THE INSIDE SCOOP ON SOME OF THE STONE SMOOTHEST CHARACTERS OF ALL TIME!

MIDNIGHT OASIS

SURGEON GENERAL'S WARNING: Quitting Smoking Now Greatly Reduces Serious Risks to Your Health.

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JOE'S SMOOTH PHILOSOPHY

on TIMING:

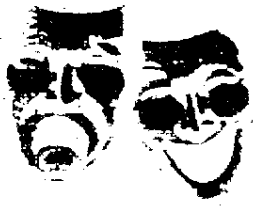
"The early bird usually falls asleep before the party starts."

on MONEY:

"A penny saved is another one you can't get rid of that hangs around in your pocket gathering lint and eventually makes a hole, so you lose it anyway."

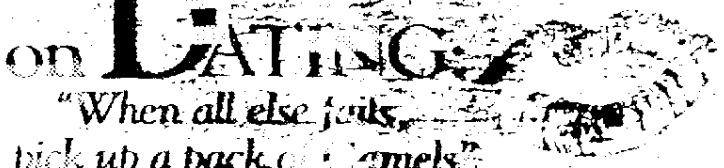
on TRAVEL:

"When at all possible, travel first class. If no camels are available, however, other forms of transportation may be used."



on LIFE:

"Don't ask for whom the bell tolls–let the butler get it."

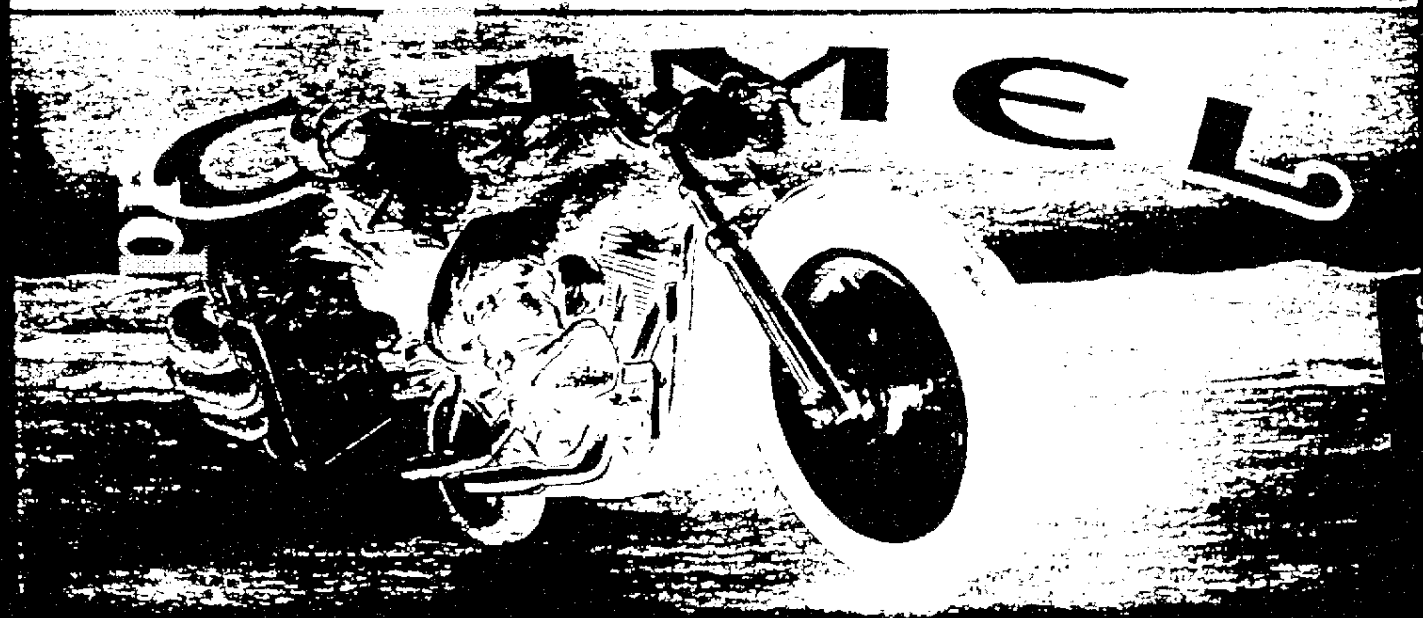


on EATING:

"When all else fails, pick up a pack of Camels."

on IN-LAWS:

"The only difference between in-laws and outlaws is that outlaws are wanted."



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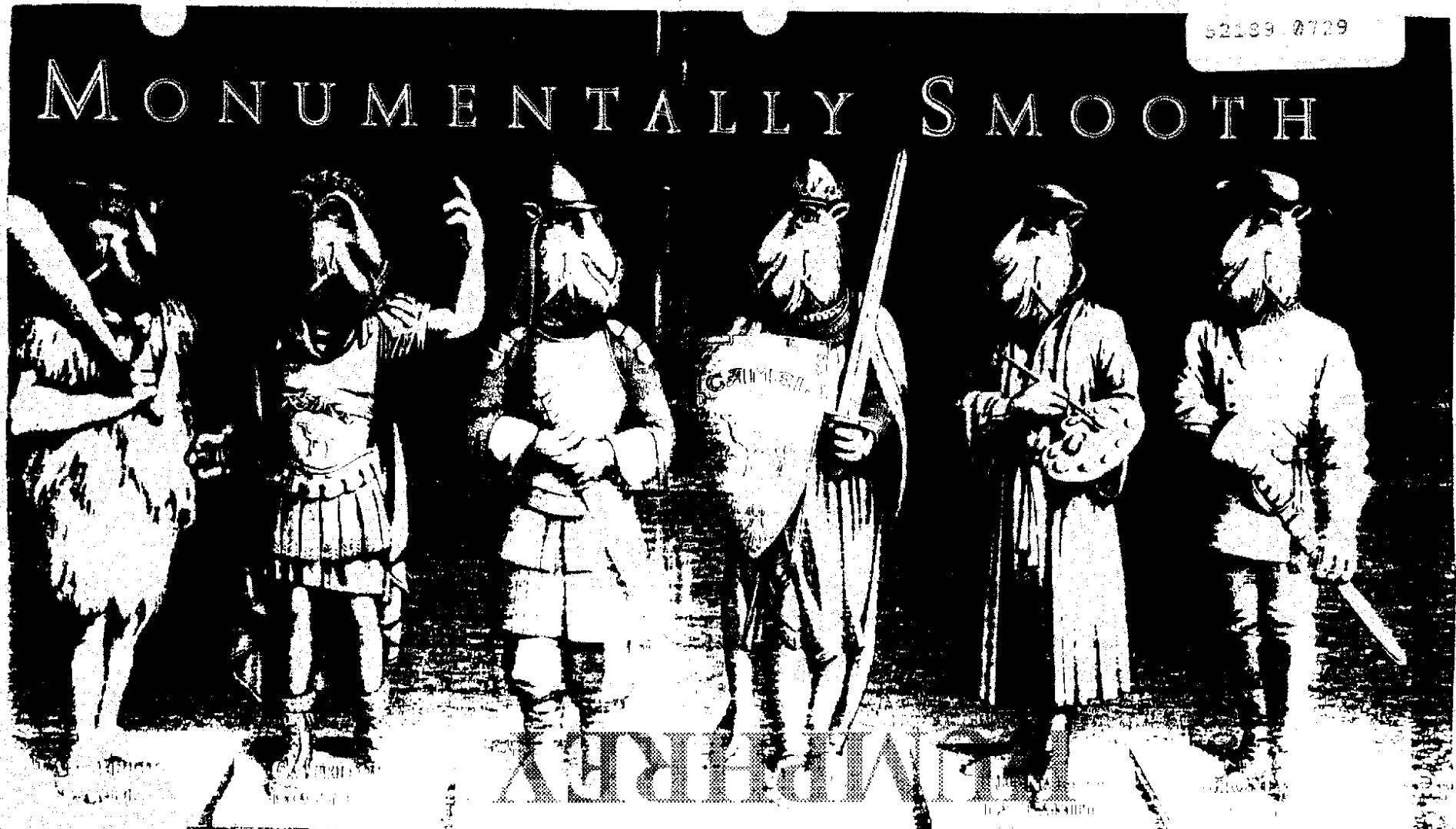
MONUMENTALLY SMOOTH



BEST IMAGE

First of the illustrious Camel line. "N. C." was big on the club scene as the first big rock ornator. Granite, quartz, basalt—he worked with them all. Archaeologists also believe he invented the first wheel, and 15 minutes later, got the first speeding ticket.

Every citizen from Carthage to Gaul was familiar with Crazy Camelius's Used Chariot Dealership and their motto, "I came, I saw, I got the best deal in town." He posed in front of the pyramids for the famous Camel Filters pack while on a date with Cleopatra.

[illegible] Khamel Dat Out [illegible] Mongolian [illegible] purpose in [illegible] at [illegible] he [illegible] back up [illegible]

[illegible] enough [illegible] to sit at [illegible] King Arthur's Round [illegible] so Sir Joseph had to sit at a card table in the basement. However, Sir Joseph was renowned [illegible] discovery, [illegible] painting [illegible] named a [illegible] [illegible] [illegible] into the film [illegible] fighters.

Owner of Leonardo's 1-Hour Portraits, he became the subject of scandal when it was revealed that his masterpiece, the "Mona Lisa," was [illegible] from a paint-by-numbers kit. In his own defense he said, "Hey, at least I stayed within the lines!"

The top of his [illegible] West Point, Stonewall [illegible] cut a dashing [illegible] unusual figure as a camel riding a horse. Not wishing to offend either the Northern or the South during the Civil War, he declared he'd fight for the [illegible] He never [illegible]

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SURGEON GENERAL'S WARNING: Quitting Smoking Now Greatly Reduces Serious Risks to Your Health.

Letters:

Dear SMOOTH:
A smoking camel!!! Who ever heard of that?!! That's ridiculous!!

Mr. Ed Palomino
Burbank, CA

Dear SMOOTH:
Remember that old Camel motto, "I'd walk a mile for a Camel"? Well, I walked a mile from my house, and all I found was an empty lot. There was a dog there, but there wasn't any Camel. What's going on?

Juacane L. Reynolds
Baton Rouge, LA

Juacane—You walked in the wrong direction. Try going out of your house, making a right onto Maple Avenue, and walking a mile to the Baton Rouge Convenience Mart. Walk up to the counter and look to your left—there's a Camel display. Glad we could help.

SMOOTH

Dear SMOOTH:
It's interesting that on your planet, you have advertising that features a camel smoking a cigarette, because on my planet, we have advertising that features a Zwork imploding a Q-Multiplier. Small universe, eh?

BD4+5
Neptune City, Neptune

Dear SMOOTH:
Yesterday, a certain suavely attired character, calling himself the "Ambassador of Smooth," dented the fender on my car and claimed diplomatic immunity. Do you know where I can contact him?

Diana C. Hirsch
St. Louis, MO

Diana—We don't know anything about it. Besides, you didn't signal when you were making that left turn onto Peabody Avenue.

SMOOTH

Dear SMOOTH:
I suspected someone was stealing my Camels because every day, when I came home from work, a few more cigarettes would be missing from the carton I kept in my dresser. Well, yesterday I came home early and caught [illegible] red-handed. Walter, smoking my Camels. Boy, was I relieved.

Dear SMOOTH:
[illegible]

COMING SOON

A Smooth DOUBLE FEATURE

A MID-WINTER LIGHTS DREAM

&

REQUEST FOR FIRE

A CAMEL FILTERS ADVENTURE

CAMEL

LIGHTS HARD PACK: 9 mg. "tar," 0.6 mg. nicotine. LIGHTS: 9 mg. "tar," 0.7 mg. nicotine. FILTERS: 15 mg. "tar," 1.0 mg. nicotine. FILTERS HARD PACK. FILTERS 100's: 17 mg. "tar," 1.0 mg. nicotine. REGULAR: 22 mg. "tar," 1.4 mg. nicotine av. per cigarette by FTC method.

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COMMUNICATIONS RESEARCH REPORT

RID #90-13128 January 21, 1991

To: Mr. E.T.C. Leary
Ms. C. A. Hunter

From: Ms. T. L. Paggert

SUBJ: CAMEL SMOOTH MAGAZINE DAY AFTER RECALL STUDY

Route to:
Mr. J. D. Weber
Mr. R. J. Fechtelman
RJR

Copies to:
Dr. J. L. Gemma
Mr. D. K. Murphy
Ms. S. C. Hawkins
Ms. K. Kelly

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CAMEL Smooth Magazine Day After Recall Study
(BID# 90-13128)

Management Summary

BACKGROUND:
The CAMEL BU developed an advertising supplement called "Smooth" which is designed to enhance perceptions of the brand as well as increase recall among the prospect group versus the general market advertising. The first issue of "Smooth" contains features such as Joe's Smooth Philosophy and Monumentally Smooth which are designed to be appealing and relevant to the prospect group. The brand requested a day after recall test to determine the communication and efficiency of the magazine insert as well as the insert's impact on perceptions of CAMEL.

RESEARCH OBJECTIVES:
- To determine the efficiency of the Smooth magazine insert.
- To assess the insert's idea communication.
- To determine the impact on brand perceptions.

FINDINGS:
- Among the total sample, Smooth Magazine achieved a proven recall level of [illegible]. Recall among 18-24 year old male smokers (75.7%) was directionally higher than among the 25-34 year old male smokers (70.8%).
- While Smooth Magazine did not achieve the recall levels of previous CAMEL inserts such as the Wild Pack 3-D Pop-up unit (94.1%) or the Musical Birthday Card (82.6%), the Smooth Magazine recall level is approximately 2.2 times greater than the norm for 3 or more page ads.
- Playback of ideas communicated by Smooth magazine indicate that respondents recalled specific features (tuxedo, statues and bar scene) and related the contents of the magazine to the CAMEL user and product (for cool people/smooth characters, smooth cigarette/good, smooth taste).
- Smooth Magazine generated a high level of likes (86.2%) encompassing a wide range of comments among the total sample. In addition, dislikes (24.4% - an average level) centered around the length of the magazine.
- Among the key 18-24 male smoker group, Smooth Magazine achieved significantly greater impact and entertainment value as well as originality and uniqueness versus the Evolved campaign.

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CONCLUSIONS/IMPLICATIONS:

Overall, Smooth Magazine generated substantial recall. While Smooth Magazine does not appear to improve key brand or user perceptions among 18-24 year old male smokers, the levels of perceptions generated by Smooth Magazine were parity with those from the Evolved campaign test. This appears to be a positive given that DAR testing provides respondents with a natural reading situation while the Evolved campaign test entailed forced exposure to the advertising.

Given the strong recall level, it appears that the length of Smooth Magazine could be shortened without having an adverse effect.

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CAMEL SMOOTH MAGAZINE

DAY AFTER RECALL STUDY

JANUARY, 1991

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METHODOLOGY

PRE-EXPOSURE

- SAMPLE (18-34 MALE SMOKERS) RECRUITED BY PERSONAL, IN-HOME INTERVIEW TO READ AND GIVE REACTION TO ACTUAL PRINT PUBLICATION IN WHICH TEST ADS APPEAR.

  NATURAL READING SITUATION
  BRAND PREFERENCES OBTAINED FOR TEST CATEGORY AND FIVE OTHER PRODUCT GROUPS

  EXPOSURE TO TEST MAGAZINE

POST-EXPOSURE

THE NEXT DAY, RESPONDENTS ARE RECONTACTED BY TELEPHONE AND THE FOLLOWING DATA IS OBTAINED:

- BRAND PREFERENCE FOR TEST CATEGORY ONLY
- UNAIDED BRAND NAME RECALL (CATEGORY CUE)
- AIDED BRAND NAME RECALL
- DIAGNOSTIC QUESTIONS/VERBATIM TESTIMONY
- DEMOGRAPHIC/CLASSIFICATION/USAGE DATA

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THINKING OF BRANDS OF CIGARETTES, DO YOU FEEL THERE IS ONE BRAND THAT IS THE VERY BEST, DO YOU FEEL NO SINGLE BRAND IS BEST, BUT 2 OR 3 BRANDS ARE BETTER THAN OTHERS, OR DO YOU FEEL ALL BRANDS OF CIGARETTES ARE ABOUT THE SAME?

ONE BEST

WHAT BRAND DO YOU FEEL IS BEST?

2 OR 3 BETTER

WHAT BRANDS DO YOU FEEL ARE BETTER THAN OTHERS?

ALL THE SAME

IF THE BRAND OF CIGARETTES THAT YOU BUY MOST OFTEN WAS NOT AVAILABLE, WHAT OTHER BRANDS OF CIGARETTES WOULD YOU CONSIDER BUYING?

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PRODUCT GROUP ATTITUDE

	CIGARETTES
ONE BRAND IS BEST	78.1%
NO SINGLE BRAND IS BEST, BUT 2 OR 3 BRANDS ARE BETTER THAN OTHER	18.3%
ALL BRANDS ARE ABOUT THE SAME	3.6%
OTHER BRANDS WOULD CONSIDER BUYING	48.6%

* BRAND PREFERENCE CHANGE (PRE-POST MEASURE OF PERSUASION) IS DETERMINED BY THE SUM OF CHANGES IN EACH ATTITUDE CATEGORY.

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BRAND PREFERENCE CHANGE BY AGE

CAMEL CIGARETTES

	TOTAL (208)	18-24 (66)	25-34 (142)
CAMEL SMOOTH	3.1	1.9	3.6

CAMEL SMOOTH MAGAZINE GENERATED A SIGNIFICANT BRAND PREFERENCE CHANGE AMONG 25-34 MALE SMOKERS.

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UNAIDED (CATEGORY) RECALL

"DO YOU REMEMBER SEEING ANY ADS IN THIS PARTICULAR MAGAZINE FOR CIGARETTES?"

IF YES, "WHAT BRANDS OF CIGARETTES WERE ADVERTISED?"

AIDED (BRAND NAME) RECALL

"DID YOU HAPPEN TO SEE AN AD FOR CAMEL CIGARETTES IN THE ISSUE OF SPORTS ILLUSTRATED WE LEFT WITH YOU?"

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RECALL QUESTIONS

YOU MAY BE FAMILIAR WITH OTHER ADS FOR CAMEL CIGARETTES, BUT THINKING ONLY OF THE MAGAZINE THAT WAS LEFT WITH YOU, PLEASE DESCRIBE THE AD AS YOU REMEMBER IT.

WHAT DID THE AD SAY?

WHAT DO YOU RECALL SEEING OR READING IN THE CAMEL SMOOTH MAGAZINE INSERT?

WHAT WENT THROUGH YOUR MIND WHEN YOU LOOKED AT THIS AD? WHAT WERE YOUR THOUGHTS AND FEELINGS AS YOU READ IT?

WHAT WAS THE MAIN IDEA THE AD WAS TRYING TO GET ACROSS TO YOU ABOUT CAMEL CIGARETTES?

WHAT, IF ANYTHING, DID YOU PARTICULARLY DISLIKE ABOUT THE AD?

WHAT, IF ANYTHING, DID YOU PARTICULARLY LIKE ABOUT THE AD?

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PROVEN RECALL BY AGE

	Total (600)	18-24 (66)	25-34 (142)	3 OR MORE PAGE NORM (THRESHOLD)
	%	%	%	%
	75.7	70.8	33.0	

AMONG TIME TOTAL MOVIE, RECALL OF SMOOTH IS SIGNIFICANTLY
GREATER THAN NORM. RECALL IS DIRECTIONALLY HIGHER AMONG 18-24
SALES CENSUS TIME 25-34 MALE GROUP.

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CAMEL PROVEN RECALL COMPARISON

	TOTAL (18-34 MALES) %
WILD PACK 3-D UNIT (4 PAGES WITH POP-UP)	94.1
MUSICAL POP-UP BIRTHDAY CARD	82.6
SMOOTH MAGAZINE	72.4
SINGLE PAGE	
HOUSEBOAT	42.0
WILD PACK	36.8
PILOT	33.6

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SUMMARY OF IDEA COMMUNICATION

CAMEL SMOOTH MAGAZINE

(BASE = RECALLERS)	TOTAL (150) %	18-24 (50) %		25-34 (100) %
DESCRIPTIVE COMMENTS ABOUT CAMEL CHARACTERS (NET)	**65.3**	**70.0**	-	**62.9**
WEARING SUIT/TUXEDO	22.1	12.5	-	27.0
STATUES/ANCESTORS/FAMOUS PEOPLE FROM THE PAST	21.8	26.3		19.6
DRINKING/IN A BAR	19.7	27.2	-	15.9
PLAYING CARDS/POKER	8.7	7.9		9.1
RIDING MOTORCYCLE	3.2	3.6		3.0
PULLING MASK OFF HUMAN	2.8	-	-	4.2
PLAYING THE PIANO/IN A BAND	2.6	-	-	3.8
REFERENCE TO PRODUCT (NET)	**57.2**	**49.4**	-	**61.1**
SMOOTH CIGARETTE	20.7	10.9	-	25.6
GOOD/SMOOTH TASTE/FLAVOR	16.3	11.5		18.8
ENJOYABLE/FUN CIGARETTE/SMOKE FOR A GOOD TIME	15.6	15.8		15.5
HERITAGE - POPULAR/WELL-KNOWN/OLD/ ESTABLISHED CIGARETTE	5.7	9.2		4.0
REFERENCE TO FEATURES/ARTICLES (NET)	**43.9**	**52.6**	-	**39.5**
STATUES	31.0	41.3	- -	25.8
LETTERS	6.7	12.3	- -	3.8
PHILOSOPHY	5.3	7.9		4.0
REFERENCE TO AD FORMAT (LARGE/SEVERAL PAGES)	**40.1**	**43.7**		**38.3**
REFERENCE TO SCENE/SETTING (NET)	**38.9**	**43.1**		**36.7**
BAR/NIGHTCLUB	35.5	38.2		34.1
REFERENCE TO CAMEL USER (NET)	**32.3**	**30.0**		**33.5**
FOR COOL PEOPLE/SMOKE TO BE COOL/ "COOL" CIGARETTE	20.1	17.7		21.4
FOR SMOOTH CHARACTERS/PEOPLE	6.4	5.4		6.8
FOR EVERYONE/ALL TYPES OF PEOPLE	5.7	3.6		6.7
FOR PEOPLE WITH A SENSE OF HUMOR/ FUNNY PEOPLE	3.0	1.0		4.0

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SUMMARY OF IDEA COMMUNICATION

CAMEL SMOOTH MAGAZINE

(BASE = RECALLERS)	TOTAL (150) %	18-24 (50) %	25-34 (100) %
FAVOR TO AD (VOLUNTEERED)			
FUNNY/HUMOROUS	28.6	33.5	26.2
GOOD AD/INTERESTING/WELL-DONE	16.0	18.2	14.9
COLORFUL	11.7	14.1	10.5
ORIGINAL/INNOVATIVE/DIFFERENT	11.6	17.3	8.7
EYE-CATCHING/ATTENTION-GETTING	5.6	10.2	3.2
CLEVER/CREATIVE/IMAGINATIVE	5.5	10.7	2.8
DISFAVOR TO AD (VOLUNTEERED)	14.5	15.8	13.9
TOO LONG/TOO MUCH TO READ/WASTE OF PAPER/OVERDONE	7.8	10.5	6.5

SMOOTH MAGAZINE ELICITED A RANGE OF FAVORABLE COMMENTS AMONG APPROXIMATELY 1/3 OF THE RESPONDENTS. UNFAVORABLE COMMENTS WERE CENTERED AROUND THE LENGTH OF SMOOTH.

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LIKES ABOUT SMOOTH MAGAZINE

(BASE = RECALLERS)	TOTAL (150) %	18-24 (50) %	25-34 (100) %
SOMETHING LIKED (NET)	86.2	83.8	87.5
FUNNY/LIKED CAMELS/DIFFERENT/CUTE CHARACTERS	22.4	20.9	23.2
FUNNY/WITTY	14.4	15.7	13.7
LIKED BAR SCENE/PARTY SCENE/CAMELS PLAYING CARDS	14.1	14.5	13.9
COLORFUL/BRIGHT/EYE-CATCHING COLORS	13.9	16.7	12.5
PLEASANT/GOOD/INTERESTING	11.1	6.8	13.3
DIFFERENT/UNUSUAL/UNIQUE	9.1	17.2	5.0
LIKED CARTOON/DRAWING	7.3	7.3	7.3
GOOD/LIKED ARTWORK/ARTISTIC	7.2	4.4	8.7
EYE-CATCHING/ATTENTION-GETTING	7.0	6.1	6.4

SMOOTH MAGAZINE GENERATED A HIGH LEVEL OF LIKES WITH A WIDE RANGE OF COMMENTS.

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DISLIKES ABOUT SMOOTH MAGAZINE

(Base = Recallers)	Total (150) %	18-24 (50) %	25-34 (100) %
Something Disliked (Net)	24.4	17.6	27.8
Too long/Too much to read/Over-done/Overwhelming	16.7	14.2	17.9
Disliked camel	1.8	3.6	2.4

- An average level of dislikes was generated by Smooth magazine. Over half of the comments indicate that Smooth was too much to read for some respondents.

VERBATIMS

"I disliked that it was too long -- too much to look at."

"It was overdone -- it was too much."

"It was too long and had too many pages to take up in one magazine."

"It was too junky -- too much going on."

"I disliked the whole thing because it is too overwhelming and too long to read."

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CAMEL SMOOTH MAGAZINE - ARTICLES RECALLED

(BASE = RECALLERS)	TOTAL (150) %	18-24 (50) %	25-34 (100) %
WHICH OF THE FOLLOWING INDIVIDUAL ARTICLES AND/OR ADS DO YOU REMEMBER?			
MIDNIGHT AT THE OASIS/JOE THROWS A PARTY	68.4	63.3	71.0
CHARACTER OF THE YEAR	37.6	30.5	41.1
MONUMENTALLY SMOOTH	29.4	36.5	25.8
JOE'S SMOOTH PHILOSOPHY	26.8	31.2	24.6
LETTERS	15.9	16.2	15.7

MIDNIGHT AT THE OASIS WAS THE MOST MEMORABLE FEATURE OF SMOOTH MAGAZINE.

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PERCEPTIONS GENERATED BY CAMEL SMOOTH MAGAZINE

THE CAMEL SMOOTH MAGAZINE INSERT MADE ME FEEL THAT CAMEL CIGARETTES ...	SMOOTH MAGAZINE TOTAL (151) %	SMOOTH MAGAZINE 18-24 (50) %	SMOOTH MAGAZINE 25-34 (100) %	EVOLVED 18-24 MALES (201) $
HAVE A SMOOTH TASTE	45	44	45	48
ARE A HIGH QUALITY CIGARETTE	54	42 -	60	44
ARE A BRAND MY FRIENDS WOULD SMOKE	39	36	41	42
ARE FOR PEOPLE WHO KNOW HOW TO HAVE FUN	42	(34) -	47	52
ARE FOR SOMEONE WHO COULD BE ONE OF MY FRIENDS	41	(33) -	46	47
ARE FOR SOMEONE WHO IS OUTRAGEOUS	28	28	28	37

(O) = SIGNIFICANTLY LOWER THAN EVOLVED.

AMONG THE KEY 18-24 MALE SMOKER PROSPECT GROUP, SMOOTH MAGAZINE GENERATED BRAND AND USER PERCEPTIONS SIMILAR TO THOSE FROM THE EVOLVED CAMPAIGN.

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CAMEL SMOOTH MAGAZINE - AGE/SEX PERCEPTIONS

	Smooth Magazine Total (151) %	Smooth Magazine 18-24 (50) %	Smooth Magazine 25-34 (100) %	Evolved 18-24 Males (201) %
Based on the CAMEL Smooth magazine you saw, do you think CAMEL cigarettes would be smoked ...				
Mainly by male smokers	66	[69]	64	50
Somewhat more by male smokers	23	21	24	29
Equally by male and female smokers	10	(9)	12	18
Somewhat more by female smokers	1	1	-	2
Mainly by female smokers	-	-	-	-
18-24	25	37 -	20	43
25-34	54	45 -	59	49
35-49	17	22	14	16
50 and Over	3	5	1	5

[ ] / ( ) = SIGNIFICANTLY GREATER/LOWER THAN EVOLVED.

- Versus the Evolved campaign, Smooth magazine skewed more male and less male/female among the 18-24 male smoker group.

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CAMEL SMOOTH MAGAZINE - DESCRIPTIVE STATEMENTS

	Smooth Magazine			Evolved
	Total (151) %	18-24 (50) %	25-34 (100) %	18-24 Males (201) %
The CAMEL Smooth Magazine is original.	83	90 -	80	56
It was clever and quite entertaining.	75	79	76	55
The CAMEL Smooth Magazine is unique.	81	85	80	65
Kind of ad I would stop and look at.	78	77	78	56

= Significantly higher than Evolved.

Among the key prospect group, Smooth Magazine was judged to be more entertaining and impactful than the Evolved campaign.

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MORGAN HUMPHREY

CAMEL SMOOTH MAGAZINE - IMPROVED OPINION

	Smooth Magazine			Evolved 18-24 Males
	Total (151) %	18-24 (50) %	25-34 (100) %	(201) %
Improved	32	31	33	38
Worsened	2	1	3	3
Did Not Change	65	68	64	59
Net Improved Opinion	30	30	30	35

SMOOTH MAGAZINE IS EFFECTIVE IN GENERATING POSITIVE FEELINGS TOWARD CAMEL AMONG BOTH THE 18-24 AND 25-34 SMOKER GROUPS. FURTHER, AMONG THE KEY PROSPECT GROUP, THE LEVELS OF FAVORABLE ATTITUDES GENERATED BY SMOOTH MAGAZINE VERSUS THE EVOLVED CAMPAIGN ARE AT PARITY.

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CAMEL SMOOTH MAGAZINE

	Total (150) %	18-24 (50) %	25-34 (100) %
(BASE = RECALLERS)			
WOULD YOU LIKE TO SEE ANOTHER CAMEL SMOOTH MAGAZINE IN THE FUTURE?			
Yes	62.6	63.3	62.3
No	14.1	15.0	13.7
DON'T KNOW/NO ANSWER	23.2	21.7	24.0
OVER 60% RESPONDED THAT THEY WOULD LIKE TO SEE ANOTHER SMOOTH MAGAZINE			

HUMPHREY MAGINI

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CAMEL SMOOTH MAGAZINE

(BASE = RECALLERS)	TOTAL (150) %	18-24 (50) %	25-34 (100) %
WHAT DO YOU THINK THE NEXT ISSUE OF SMOOTH MAGAZINE WILL FEATURE?			
WILL FEATURE SOMETHING	53.8	49.0	56.2
WILL FEATURE NOTHING	10.3	7.1	11.9
DON'T KNOW/NO ANSWER	35.9	43.9	31.9
(BASE = SOMETHING FEATURED)	(81)	(25)	(56)
CAMEL (NET)	24.1	25.1	23.6
JOE SMOOTH/ONE OF THE SMOOTH CHARACTER PERSONALITIES	4.1	4.2	4.0
AS A SPORTS FIGURE	3.9	3.6	4.0
SMOKING A CIGARETTE	2.7	-	4.0
IN A DESERT/SAUDI ARABIA	1.5	4.4	-
HAVING A GOOD TIME	1.2	.8	1.4
MORE OF HIS ANCESTORS	.4	1.3	-
SCENE/SETTING (NET)	12.4	11.5	12.9
DIFFERENT SCENES	5.2	4.4	5.6
HOLIDAY SEASON	2.0	3.5	1.2
OASIS/OASIS IN EUROPE	1.9	-	2.8
BEACH SCENE/PARTY ON THE BEACH	1.9	4.4	.6
GENERAL COMMENTS (NET)	20.6	8.7	26.4
MORE OF THE SAME	12.3	4.3	16.3
SOMETHING FUNNY	2.5	1.8	2.8
SOMETHING EYE-CATCHING/EXCITING	2.4	.8	3.2
MORE CARTOON CHARACTERS	1.2	.8	1.4
MOVIE TITLES	.9	-	1.4

- SLIGHTLY OVER HALF OF THE RESPONDENTS VOLUNTEERED A VARIETY OF IDEAS AS TO WHAT WOULD BE FEATURED IN THE NEXT ISSUE OF SMOOTH.

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CAMEL SMOOTH MAGAZINE

(BASE = RECALLERS)	TOTAL (150) %	18-24 (50) %	25-34 (100) %
WHAT WOULD YOU LIKE TO SEE IN THE NEXT ISSUE OF SMOOTH MAGAZINE?			
WOULD LIKE TO SEE SOMETHING	55.7	55.7	55.6
WOULD LIKE TO SEE NOTHING	18.3	15.0	20.0
DON'T KNOW/NO ANSWER	26.0	29.3	24.4
(BASE = WOULD LIKE TO SEE SOMETHING)	(84)	(28)	(56)
CAMEL (NET)	20.3	21.4	19.8
AS A SPORTS FIGURE	5.8	2.6	7.5
FEMALE CAMELS/MRS. CAMEL/HIS GIRLFRIEND	2.4	4.4	1.4
IN A DESERT/HOLDING WATER JUGS	2.4	1.8	2.6
IN HAWAII/TROPICS/ISLAND	1.2	3.6	-
SPLASHING GIRLS IN BIKINIS	.6	1.8	-
BY A PLANE	.6	1.8	-
IN A BAR	.6	1.8	-
IN A BOWLING LANE	.9	-	1.4
AT A ROCK CONCERT	.6	1.8	-
SCENE/SETTING (NET)	15.7	14.9	16.1
BEACH SCENE	3.1	3.6	2.8
WOMEN/PRETTY WOMEN	2.9	5.0	1.8
SPORTS	2.6	-	3.8
HOLIDAY SEASON	1.4	1.8	1.2
LAS VEGAS SCENE	.8	-	1.4
ROMANTIC SCENE	.6	1.8	-
BIKE WEEK IN DAYTONA	.6	1.8	-
OFFER (NET)	3.4	2.6	3.8
COUPON	2.6	2.6	2.6
FREE PACK	1.1	.8	1.2

- WHEN ASKED DIRECTLY WHAT THEY WOULD LIKE TO SEE IN THE NEXT ISSUE OF SMOOTH, APPROXIMATELY 55% HAD SPECIFIC IDEAS.

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CAMEL SMOOTH MAGAZINE

(BASE = RECALLERS)	TOTAL (150) %	18-24 (50) %	25-34 (100) %
Q.2a HAVE YOU SEEN ANYTHING LIKE THE CAMEL SMOOTH MAGAZINE INSERT BEFORE YOU READ THIS ISSUE?			
YES	18.2	18.0	18.3
NO	78.2	77.6	78.4
DON'T KNOW/NO ANSWER	3.6	4.4	3.2
Q.2b IF YES, WHERE?	18.2	18.0	18.3
IN A MAGAZINE	13.0	12.6	13.3
PLAYBOY	2.6	2.6	2.6
ROLLING STONE	2.4	1.8	2.6
VARIETY OF MAGAZINES	2.1	2.6	1.8
A FISHING MAGAZINE	1.2	-	1.8
LIFE	1.2	-	1.8
BILLBOARD	.8	-	1.2
HOT ROD	.6	1.8	-
OUTDOOR LIFE	.6	1.8	-
PEOPLE	.6	1.8	-
IN A STORE DISPLAY	1.4	1.8	1.2
AT A SERVICE STATION	.8	-	1.2
ON A BILLBOARD	.8	-	1.2
ON A T-SHIRT	.6	1.8	-

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CAMEL SMOOTH MAGAZINE

(BASE = RECALLERS)	TOTAL (150) %	18-24 (50) %	25-34 (100) %
THINKING ABOUT THE CAMEL SMOOTH MAGAZINE INSERT, WHICH STATEMENTS DESCRIBE WHAT YOU DID?			
JUST GLANCED AT IT	51.0	50.2	51.4
READ SOME OF THE PAGES	26.6	26.0	26.8
READ IT THOROUGHLY	14.7	22.0	11.1
SHOWED IT TO A FRIEND	7.0	4.0	8.5
TORE IT OUT TO SAVE	1.7	-	2.6
OTHER (NET)	1.8	2.6	1.4
REALIZED I'D SEEN IT BEFORE IN ROLLING STONE	.6	1.8	-
WROTE A COUPLE OF THINGS DOWN	.3	.8	-
LOOKED AT THE END	.9	-	1.4

APPROXIMATELY HALF OF THE RESPONDENTS CLAIMED TO HAVE "JUST GLANCED AT" SMOOTH WITH ABOUT 1/4 HAVING READ SOME OF THE MAGAZINE. SIGNIFICANTLY MORE 18-24 YEAR OLD SMOKERS READ SMOOTH THOROUGHLY VERSUS THE 25-34 YEAR OLD SMOKER GROUP.

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CAMEL SMOOTH MAGAZINE

SUMMARY/CONCLUSIONS

- OVERALL, CAMEL SMOOTH MAGAZINE GENERATED RECALL LEVELS APPROXIMATELY 2.2 TIMES GREATER THAN THE NORM. OF THE FEATURES INCLUDED IN SMOOTH, "MIDNIGHT AT THE OASIS" WAS THE MOST MEMORABLE.

- PLAYBACK OF IDEAS COMMUNICATED BY SMOOTH INDICATE THAT RESPONDENTS RECALLED SPECIFIC FEATURES (TUXEDO, STATUES AND BAR SCENE) AS WELL AS RELATED THE CONTENTS TO THE CAMEL USER AND PRODUCT (FOR COOL PEOPLE/SMOOTH CHARACTERS, SMOOTH CIGARETTE/GOOD, SMOOTH TASTE).

- AMONG THE KEY 18-24 MALE SMOKER GROUP, EXPOSURE TO SMOOTH DID NOT APPEAR TO IMPROVE PRODUCT, BRAND OR USER PERCEPTIONS VERSUS THE EVOLVED CAMPAIGN. HOWEVER, SMOOTH DID ACHIEVE SIGNIFICANTLY HIGHER IMPACT (STOP AND LOOK AT) AND ENTERTAINMENT VALUE AS WELL AS ORIGINALITY AND UNIQUENESS VERSUS THE EVOLVED CAMPAIGN.

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January 23, 1991

TO: J. L. Gemma
E. C. Leary
C. S. Hunter
S. C. Hawkins
M. Kelly
L. K. Burgess, BIC

FROM: T. L. Paggett

RE: Replacement Page for CAMEL Smooth Magazine DAR Study

Please replace page 2* (the second page of the Summary of Idea Communication section) in the CAMEL Smooth Magazine DAR report issued to you on January 21 with the attached page. The rows were not aligned correctly. The replacement page should clear up any confusion caused by the first one.

Please call if you have any questions.

TLP/tlp

T. L. Paggett
Business Information Department

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SUMMARY OF IDEA COMMUNICATION

CAMEL SMOOTH MAGAZINE

(BASE = RECALLERS)	TOTAL (150) %	18-24 (50) %	25-34 (100) %
FAVOR TO AD (VOLUNTEERED)	56.2	68.6	50.0
FUNNY/HUMOROUS	28.6	33.5	26.2
GOOD AD/INTERESTING/WELL-DONE	16.0	18.2	14.9
COLORFUL	11.7	14.1	10.5
ORIGINAL/INNOVATIVE/DIFFERENT	11.6	17.3	8.7
EYE-CATCHING/ATTENTION-GETTING	5.6	10.2	3.2
CLEVER/CREATIVE/IMAGINATIVE	5.5	10.7	2.8
DISFAVOR RE-AD (VOLUNTEERED)	14.5	15.8	13.9
TOO LONG/TOO MUCH TO READ/WASTE OF PAPER/OVERDONE	7.8	10.5	6.8

- SMOOTH MAGAZINE ELICITED A RANGE OF FAVORABLE COMMENTS AMONG APPROXIMATELY 1/3 OF THE RESPONDENTS. UNFAVORABLE COMMENTS WERE CENTERED AROUND THE LENGTH OF SMOOTH.

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People weekly

At home with Katharine Hepburn

TEENS & SEX

In the age of AIDS, the risks are greater than ever, but seven in ten teens are making love. Here are the startling stories of 24 hours in the real sex lives of American teenagers.

THE YEARS OF LOVING DANGEROUSLY

Young and in love: Betsy Ward and Darren Burge, both 17, of Chicago

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FUEL EFFICIENCY? SOM
THEIR REPUTATIONS. B

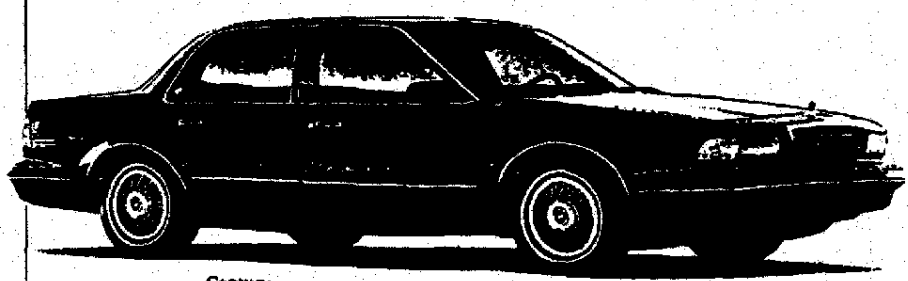
Today, every Buick model gets at least 25 MPG highway.

A lot has changed. Since the mid-'70s, Buick has made significant improvements in fuel efficiency, combining luxury-car power and economy unthinkable just a few years ago.

Century: Better fuel economy than some "economy" cars.

How does a six-passenger sedan like Century get better mileage than a Camry? Simple. Century's available 3300 V6 engine with optional overdrive transmission is very efficient.

EPA Est. mpg 19/30 city hwy.

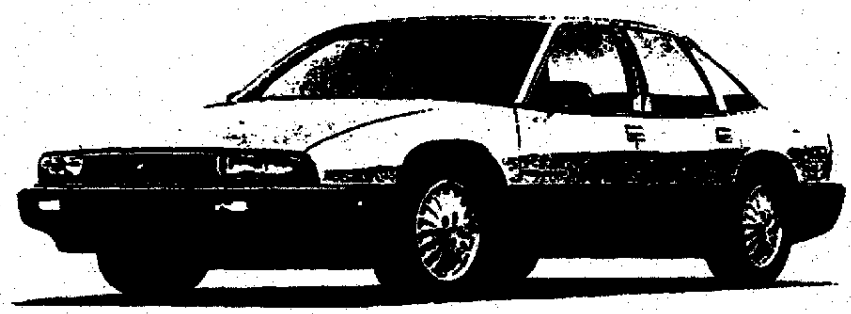


Century

1991 EPA MILEAGE ESTIMATES

BUICK	CITY/HIGHWAY MPG	IMPORT
SKYLARK	23/33 vs. 22/28	HONDA ACCORD
CENTURY	19/30 vs. 18/24	TOYOTA CAMRY
REGAL	19/30 vs. 18/24	LEXUS ES 250
LESABRE	19/28 vs. 19/26	NISSAN MAXIMA
PARK AVENUE	18/27 vs. 18/23	LEXUS LS 400
RIVIERA	18/27 vs. 18/22	BMW 325i
REATTA	18/27 vs. 18/23	TOYOTA SUPRA

Comparisons based on comparable vehicle powertrains.



Regal

Regal: Making the imports very nervous.

EPA Est. mpg 19/30 city hwy.

With its refined style, sophistication and fuel efficiency, Regal Sedan makes the competition very uncomfortable. And Regal owner. very happy.

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E CARS ARE LIVING OFF UICK IS BUILDING ONE.

Park Avenue

*J.D. Power and Associates 1990 Initial Quality Survey.SM Based on owner-reported problems during the first 90 days of ownership.

LeSabre: For the most trouble-free American car, fuel efficiency is easy.*

EPA Est. mpg 19/28 city hwy.

As you can see from its EPA estimated mileage, the most trouble-free American car has no trouble matching the fuel efficiency of imports like Maxima.

Park Avenue: The luxury of fuel efficiency.

EPA Est. mpg 18/27 city hwy.

Thanks to technology like the tuned-port injected 3800 V6, Park Avenue gets an EPA estimated 27 mpg highway. Lexus LS 400? Just 23 highway. Now, wouldn't you really rather drive the Buick?

Visit your Buick dealer today and see our full range of fuel-efficient 1991 models.

BUICK

The New Symbol For Quality In America.

LeSabre

Let's get it together...buckle up

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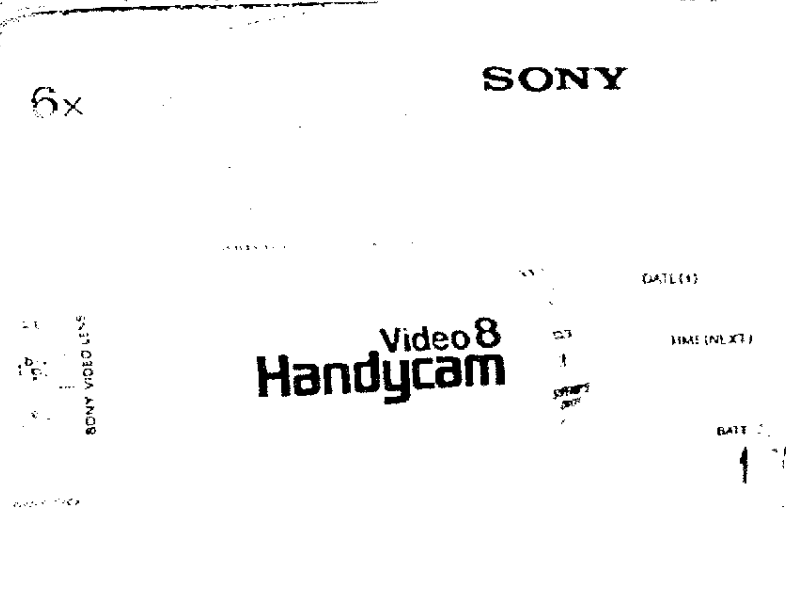

It's easy to use the world's smallest camcorder.

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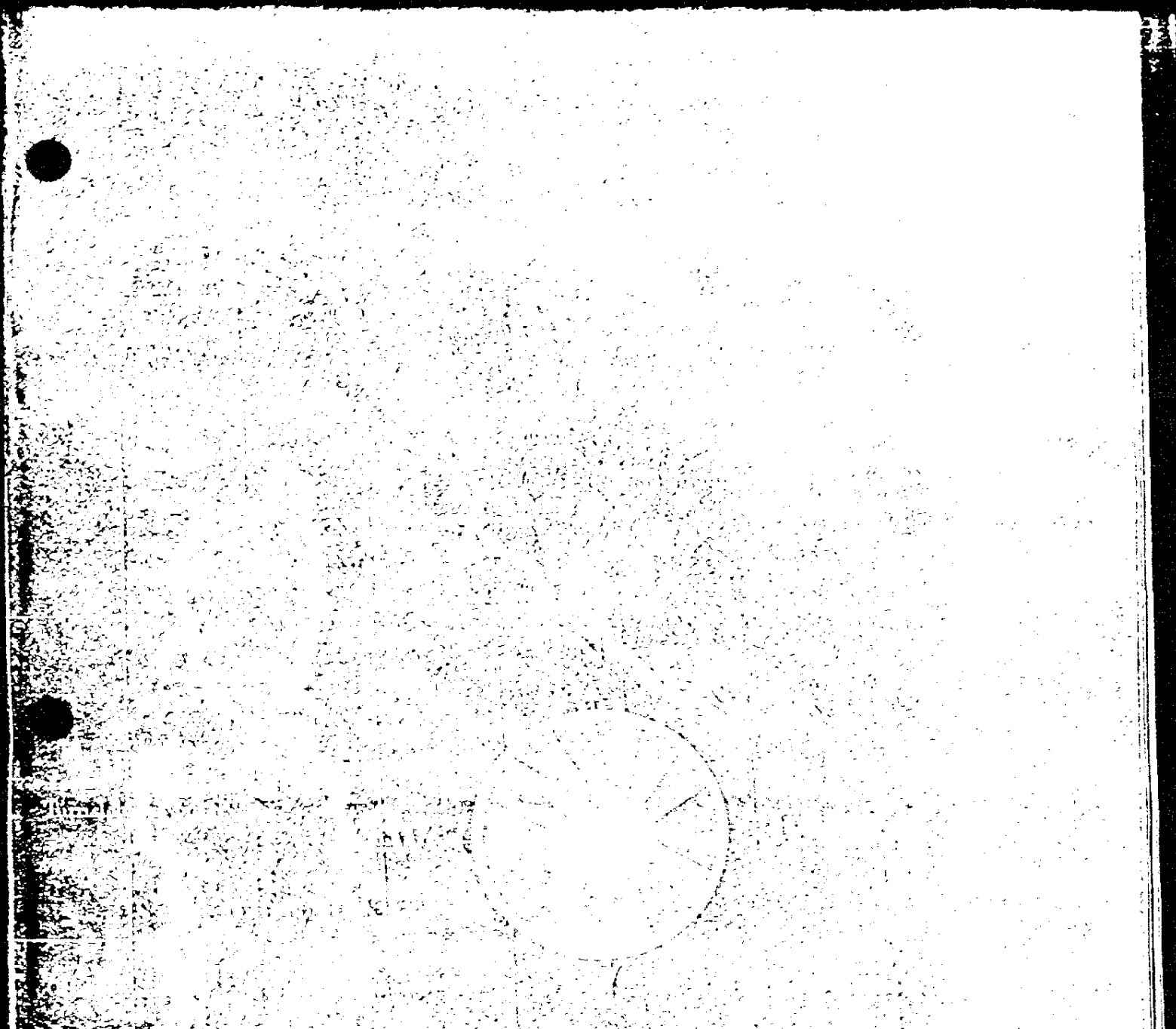

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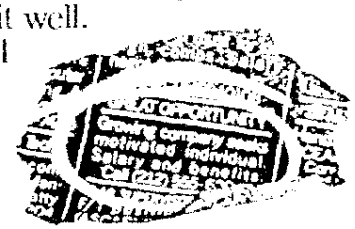

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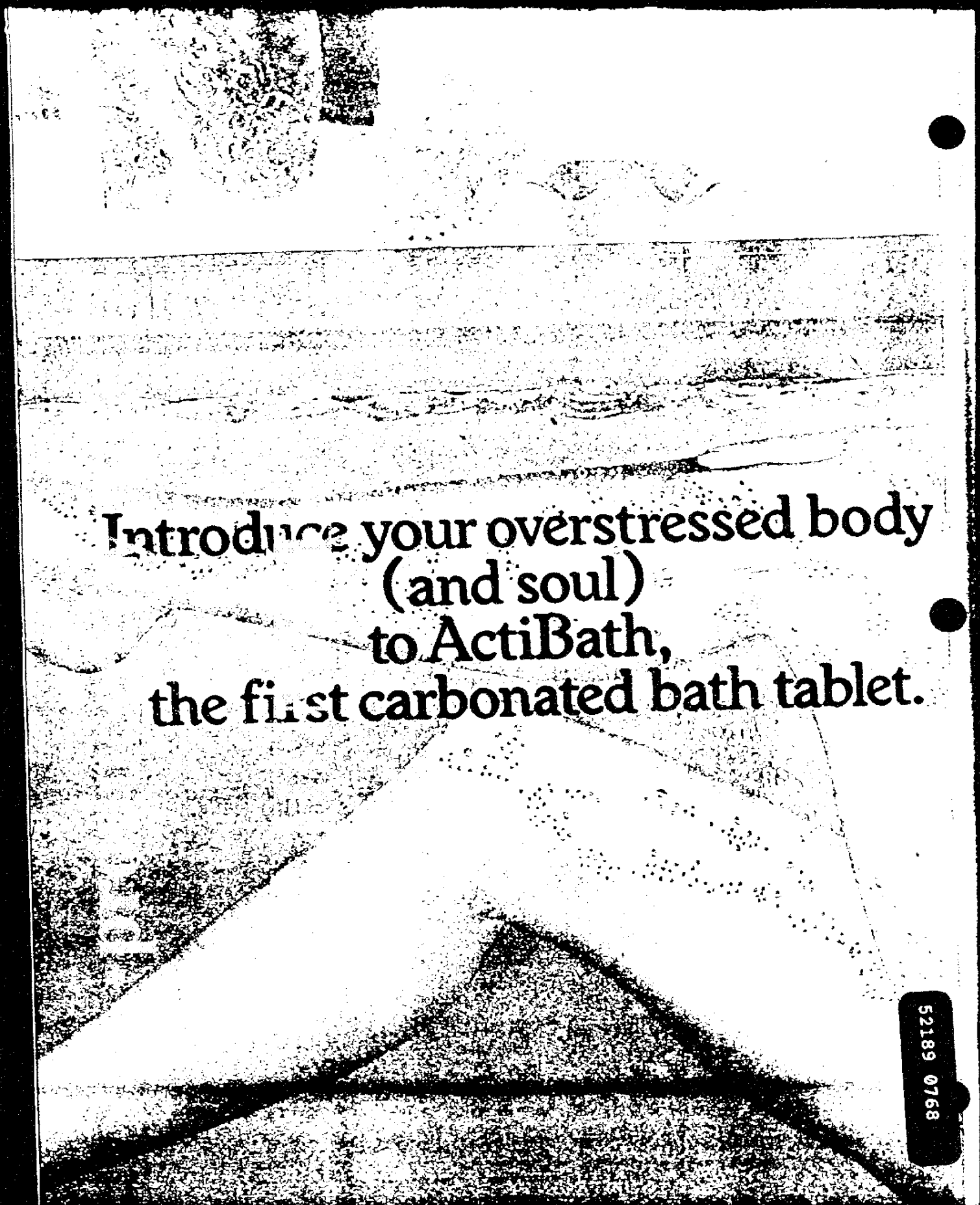

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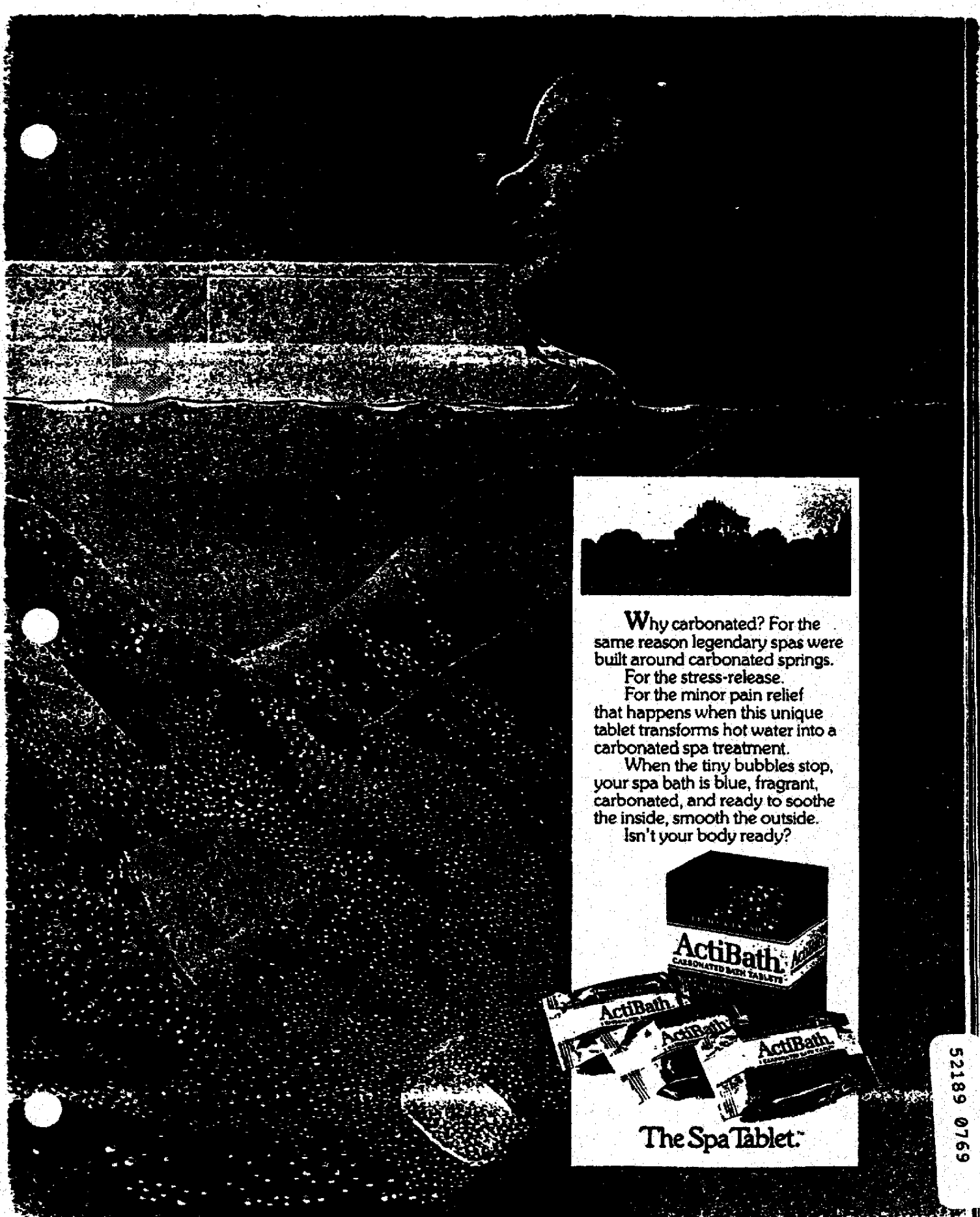

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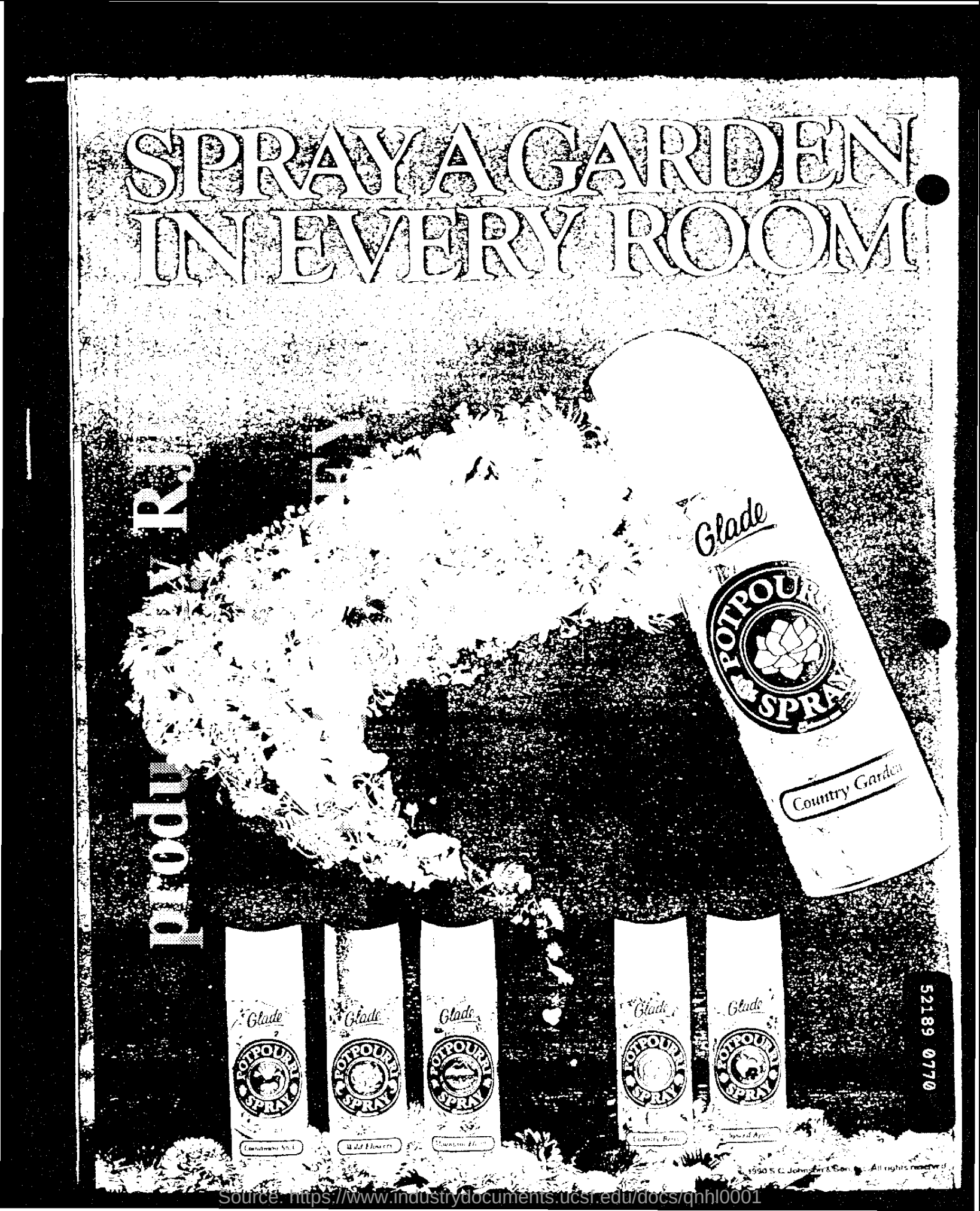

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PICKS & PANS

TUBE

By David Hiltbrand

Maybe it's the natural of sweeps month, but there are a lot of intriguing guest spots this week. Marion Ross, Mrs. Cunningham on *Happy Days*, and Wendy O. Williams, the punky former lead singer for the Plasmatics (how often do you see those names together?), appear on Monday's *MacGyver* (ABC, Nov. 5, 8 P.M. ET). That same night (8:30 P.M. ET), Vice President Dan Quayle turns up on CBS's *Major Dad*. The most unlikely cameo comes on a rerun. Opie (Rod Howard, who went on to play Marion Ross's son on *Happy Days*) finds a baby on *The Andy Griffith Show* (TBS, Sat., Nov. 3, 5:05 P.M. ET). The boyfriend of the girl who abandons her child in Mayberry is played by that manic antihayseed Jack Nicholson.

The Last Best Year
Moore and Peters, deep bonding

Hamlet
Kevin Kline as the method-mad Prince, entangling himself with the women of Elsinore, Dana Ivey, top, and Diane Venora, in a dapper, modern production of Shakespeare's most famous tragedy

NANCY LEVINE

■ HAMLET
PBS (Fri., Nov. 2, 9 P.M. ET)

Everybody wants to get into the act. The same night that Olivier's definitive version of *Hamlet* airs on cable's Bravo channel (11 P.M. ET) and scant months before Mel Gibson assays the great Dane on movie screens, *Great Performances* presents Kevin Kline as Gertrude's hung-up son.

This adaptation of the New York Shakespeare Festival production features a generally fine cast, including Dana Ivey as Mom, Brian Murray as Claudius, Diane Venora as Ophelia and Peter Francis James as Horatio. Though better in dialogue than in the famous soliloquies, Kline primes the play most passionately with his Prince. Viewers who are familiar only with his film work will be pleasantly surprised at what a good classical actor Kline is.

The contemporary costuming (Rosencrantz and Guildenstern in Botany 500 suits?) and stark, stagey sets, are off-putting but, oh, that glorious Bardic language. By the way, recent studies indicate conclusively that 'tis far nobler to take arms against a sea of troubles than it is to suffer the slings and arrows of outrageous fortune. Grade: B–

■ THE LAST BEST YEAR
ABC (Sun., Nov. 4, 9 P.M. ET)

Grab a box of tissues and watch this slow but very moving tale about a woman (Bernadette Peters) with liver cancer and the psychologist (Mary Tyler Moore) who helps her come to grips with her life even as death closes in.

It's a singular TV movie both for the emotional complexity of its characters and for its poignant performances. Peters is utterly convincing as a sweet, timorous woman who has sealed herself off from her feelings. Moore, in her meatiest role since *Ordinary People*, is strong as a shrink whose professional facade is threatened by memories of her own father's death from cancer.

Sensitively directed by John Erman and scored by John Morris, the film would garner a higher mark had it not taken refuge in the warm fuzzies during its second half. Grade: A–

■ 83 HOURS 'TIL DAWN
CBS (Sun., Nov. 4, 9 P.M. ET)

In a gripping thriller based on a true story, a sicko (Peter Strauss) kidnaps a wealthy de-

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PICKS & PANS

TUBE

On Thin Ice: The Tai Babilonia Story
Crawford, with the real Tai and Randy

veloper's daughter and buries her in a capsule with limited life-support mechanisms.

The story unfolds with an effective narrative device: via flashbacks as Strauss resentfully and manipulatively undergoes psychiatric evaluation (conducted by Paul Winfield) in jail. Robert Urich is quite good as the father, ditto Samantha (*Extreme Close-Up*) Mathis as his inhumed daughter. Strauss gives a hypnotic performance as the sociopath, all the more frightening for his intelligence and fastidiousness.

One of the differences between feature films and TV movies is that tube flicks, even the good ones, are unable to sustain an uninterrupted mood over the course of their 90-plus minutes. This one has fewer dead spots than most. Grade: B+

■ ON THIN ICE: THE TAI BABILONIA STORY
NBC (Mon., Nov. 6, 9 P.M. ET)

The rise and fall of the ice skating star becomes a vapid, psychologically simplistic coming-of-age tragedy.

A series of actors, culminating in Rachael Crawford and Charlie Stratton, play Babilonia and her skating partner, Randy Gardner, from the time they meet as kids until they are adults. All of them seem to have been chosen more for their physical attributes than for their thespian talents.

The plot seems to suggest that it was Babilonia's disappointment over the duwithdrawal from the Olympics in coupled with a soured romance with *Bunch* cast member Chris Knight (Kevin Hicks), that turned this wholesome young lady into an equal opportunity abuser of food, alcohol, pills and scruffy bad boys.

Babilonia's story is spelled out in big, clumsy, easy-to-read capital letters, yet it just doesn't make much sense. I feel like one of those surly anti-American Olympic judges. But . . . Grade: C−

TAPING TIP

Dark Shadows, the unlikely hybrid of soap opera and horror that is about to be reprised as an NBC series, was spun off into a feature film, *House of Dark Shadows* (TBS, Wed., Oct. 31, 1:05 P.M. ET), in 1970. Jonathan Frid, playing thirsty Barnabas Collins as he did in the original series, is joined by Joan Bennett, Grayson Hall and Kathryn Leigh Scott.

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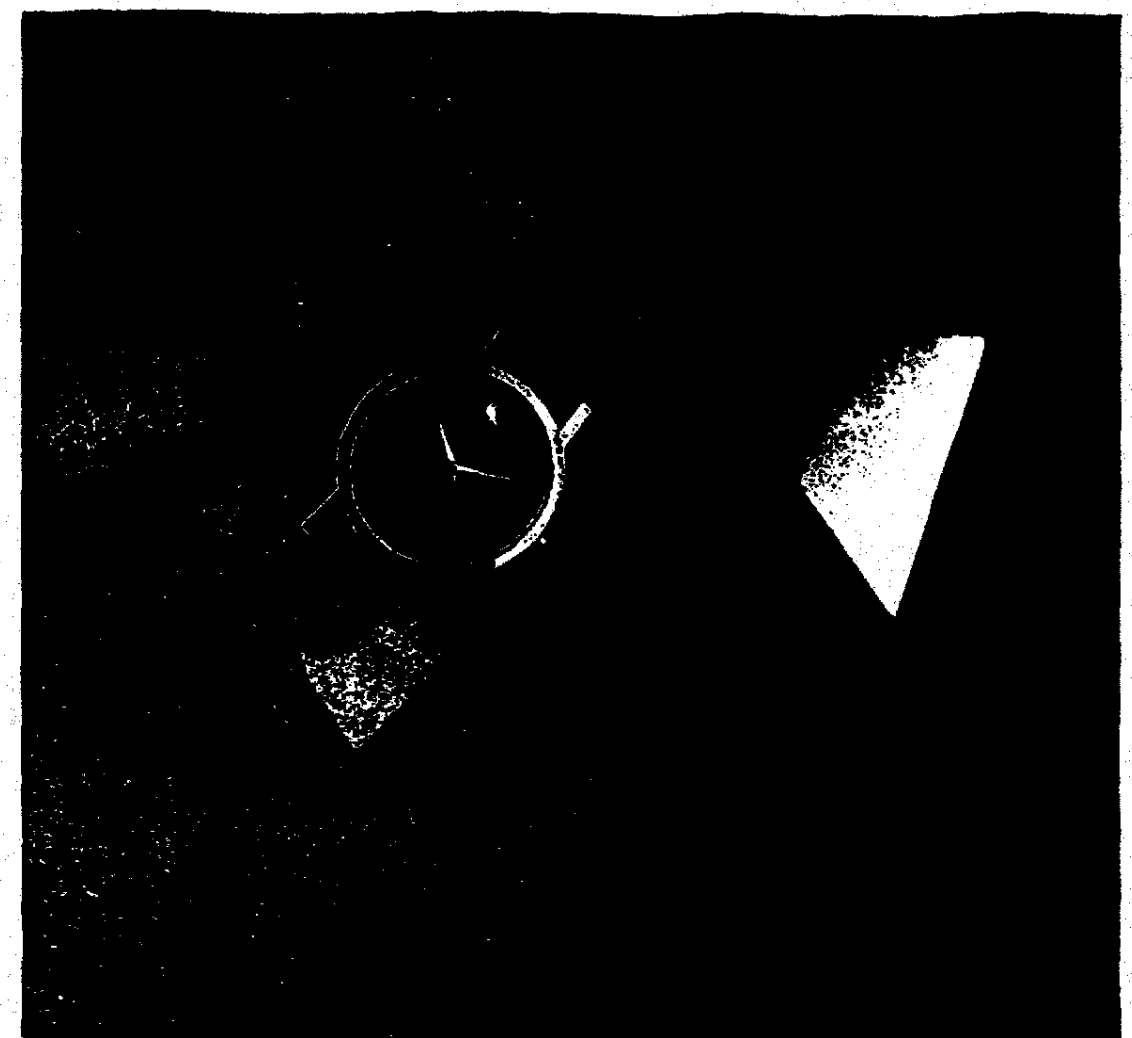

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PICKS & PANS

SCREEN

By Ralph Novak

Don't see it for this (or any other) reason, but *Marked for Death* has a terrific reggae-flavored sound track, featuring on- and off-camera singing by Jimmy Cliff. There's more good movie music around too: Randy Newman's evocative score for *Avalon* adds to its mood of drowsiness and determination. John Lee Hooker's and Taj Mahal's blues work well in *Hot Spot*. There are swingy period-style tunes—arranged by George Fenton—in the World War II film *Memphis Belle*. And both Shirley MacLaine and Meryl Streep sing fetchingly in *Postcards from the Edge*, Streep getting as down-home as a lady from New Jersey can on Shel Silverstein's country tune "I'm Checkin' Out."

Reversal of Fortune
Glenn Close, Jeremy Irons and their tablemate of a different stripe, in palmier days

■ REVERSAL OF FORTUNE
Jeremy Irons, Ron Silver

It's too bad this film is based on a real-life case—that of Claus von Bülow, the idle New York City socialite convicted and then acquitted of trying to murder his fabulously wealthy wife, Sunny, who has been in a persistent vegetative state for almost 10 years (see p. 87).

Or one thing, you know how the story will end. For another, it's doubly silly that director Barbet (*Barfly*) Schroeder and writer Nicholas (*Frances*) Kazan insist on having Glenn Close, as Sunny, speak from her comatose state in voice-over—"This was my body," she intones, as the film begins.

These considerations, among others, compromise brilliant performances by Irons and Silver. Irons, portraying Von Bülow as an unjustifiably arrogant man of crocodilian mien, creates a memorably vivid character. Silver, as Von Bülow's appellate attorney, Harvard Law School professor Alan Dershowitz, matches Irons; his Dershowitz is a self-righteous egomaniac who convinces himself he is working for a constitutional principle when he clearly is obsessed with the gamesmanship of getting Von Bülow's conviction overturned.

However valid the characterizations are (the film is based partly on Dershowitz's book on the case), Irons and Silver have zeroed in. Thanks to them and Schroeder, you feel you know two deeply cynical men, even if you're unlikely to have sympathy for either of them—or for the law's ability to obscure truth with rules. (It's not Close's fault that she makes relatively little impact; hers is a passive role even in flashbacks.)

Yet the film remains unsatisfying.

At the end Silver and his fictionalized assistant–former girlfriend, Annabella (*Cadillac Man*) Sciorra, exchange scenarios about what really happened: Silver argues for Claus's innocence, Sciorra for his guilt.

In addition to shielding the film's producers from libel suits, this cop-out reflects the vagaries of real life: We don't always find out what happened. What we must accept in real life, however, we needn't settle for in art. Mixing reality and fiction, without using that mixture to produce any substantial addition to our knowledge, this movie at once goes too far and not far enough. (R)

Quigley Down Under
Pistol-packin' Laura San Giacomo, doing her best to protect her aborigine foundling

■ QUIGLEY DOWN UNDER
Tom Selleck, Laura San Giacomo

There are some noteworthy things about this movie. It is a standard, old-fashioned Western transplanted to Australia, with Selleck as an 1860s American sharpshooter who gets a mail-order job working for an Aussie rancher. Selleck and San Giacomo, who has accepted a job—bunkhouse floozie, it seems—with the same rancher, are especially appealing. And the cast includes an Australian actress who has to be considered one of the biggest names in films today—20 letters—Dorothy Warnggarrknga.

Warnggarrknga is part of a socially conscious subplot in which Selleck defends aborigines who are getting in the way of the rancher, the splendid villain of *Die Hard*, Alan Rickman. Once Selleck finds out that Rickman wants him to sharpshoot aborigines, not dingoes, he rebels, setting up a conflict that is destined to end in a shoot-out.

When that shoot-out comes, it is extraordinarily unbelievable, even by, say, *High Noon* standards (watch for Rickman to be seized by a fit of unlikely generosity). But

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PICKS & PANS

SCREEN

Marked for Death
Steven Seagal, rejecting the quiet life after all

getting there is all the fun anyway.

San Giacomo never seems sure whether she's sending up her part or playing it, and her Texas accent comes and goes capriciously. Having shown the ability to be hot in *sex, lies and videotape*, though, she transposes to warm in this film, and she and old softy Selleck all but melt together. San Giacomo also has a touching scene with an aborigine infant she takes care of after it survives an attack by Rickman's henchmen.

The child is very blond, as aborigines often are. This may puzzle Americans, but no one in the film mentions it, maybe because director Simon Wincer is Australian.

Wincer, who directed the TV miniseries *Lonesome Dove*, and writer John (*Heartbeeps*) Hill do all the clichés, from the moon over the prairie to the villain having the hero dragged by a horse to the local native population ominously lining up on ridges.

While there's lots of violence, most of it is long distance, since Selleck likes to plink his victims from 1,000 or so yards away to flaunt his Sharps rifle expertise. And the movie is pleasantly awash in its own meaninglessness. When San Giacomo asks Selleck what the strange animals are, he answers, "Kangaroos, ah reckon." It's clear we aren't in Kansas or Texas or even Monument Valley anymore, but we are still having an innocently enjoyable time. (PG-13)

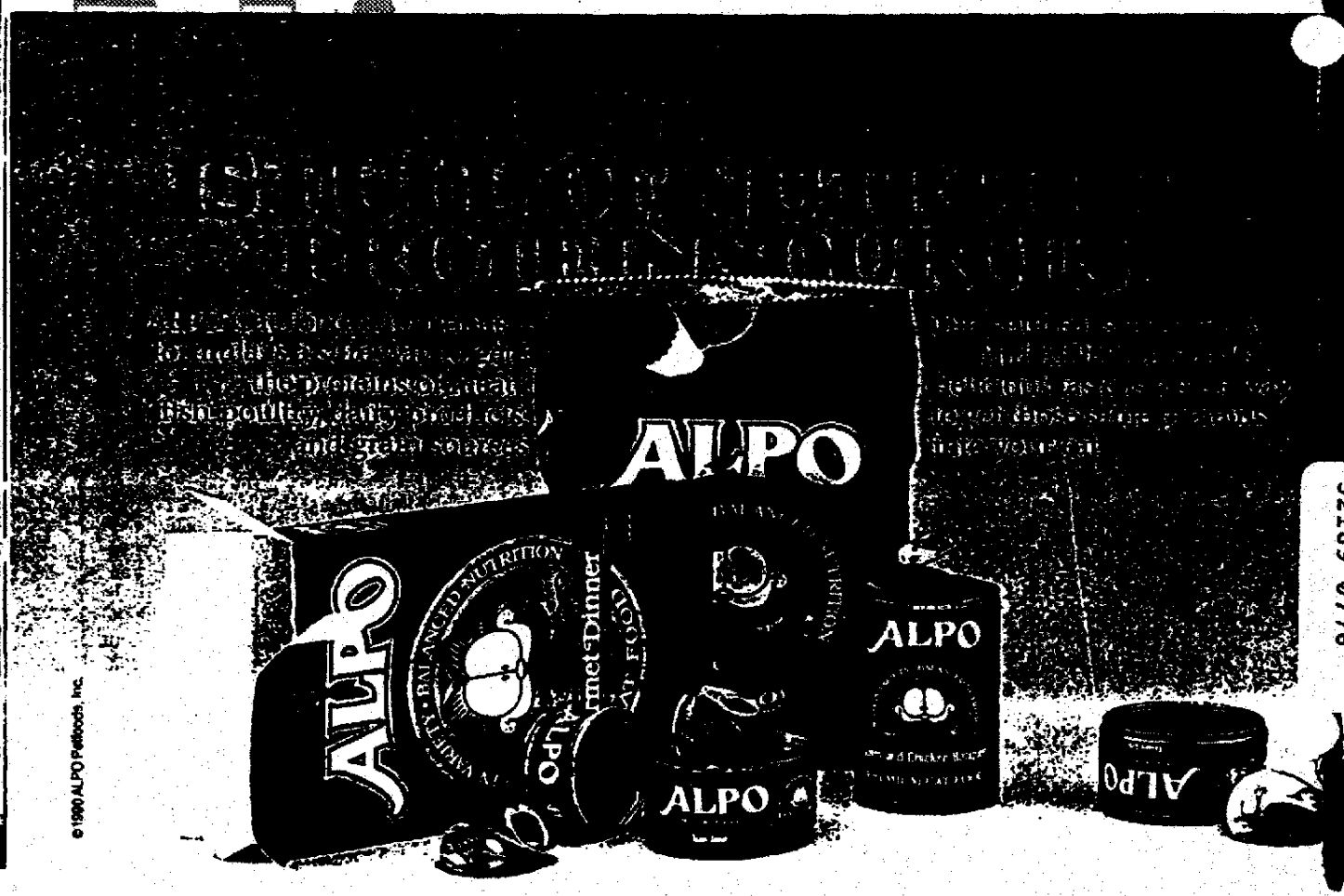
MARKED FOR DEATH
Steven Seagal, Basil Wallace

John Wayne had that little eyebrow-rai
move. Clint Eastwood has his squir
Seagal is limited as an action hero be
his face seems continuously stuck in
same expression, that of a person who
just bitten into a rotten peach and brok
tooth on the pit.

This is a perfectly appropriate expres
for, say, kicking someone in the crotch
blasting them with an automatic weap
Unfortunately, Seagal occasionally
stuck with having to try to do some acti

In this film he plays a burned-out fed
Drug Enforcement Administration a
who retires to a quiet Chicago suburb
reverts to ferocious type when his nie
gunned down by a vengeful Jamaican
gang. Seagal has a scene where he lo
down at his critically wounded niece
one assumes, is supposed to register g
Instead, the camera stays on his face
what seems like two minutes without ca
ing a hint of movement. There are fa
carved on mountains in South Dakota
are better at displaying emotion.

As for the action sequences, they
foolishly staged by director Dwight H. (*H*
loween 4) Little. Seagal gets into a dozen
so fights, and in most of them so many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guys fly at him so fast he barely has time to touch them, let alone lay a serious martial-arts move on them. Either he has perfected pinky chop into a lethal maneuver or ...ese guys all have a low death threshold.

The dialogue by Michael Grais and Mark Victor (they collaborated on *Poltergeist II*) never rises above its surroundings. The lines "Let's do it!" "Don't even think about it!" and "You're a walking dead man!" all appear, as does that yuk-filled platitude, "The streets are hard out there. Some people make a bad choice, that's all."

Keith (*Platoon*) David lends some dignity as Seagal's war buddy, now a high school football coach and it would seem, avocational SWAT-team expert. Joanna (*Gorky Park*) Pacula makes a brief appearance as an anthropologist specializing in voodoo. She seems to lust after Seagal, but old Steve can't be bothered. Character actor Basil Wallace provides the movie's only memorable touches as a blue-eyed black Jamaican gang boss whose psychotic fits recall Robert Newton's delightfully overacted Long John Silver in the 1950 *Treasure Island*.

While Seagal himself would seem to be in a woeful, blood-filled rut, he is certainly among the best ponytailed movie actors of all time, perhaps not up there with Debbie Reynolds but able to give Sandra Dee a run for her money any day. (R)

MR. DESTINY
Jim Belushi, Linda Hamilton

How much you enjoy this movie will depend on how much tolerance you have for very long, mildly tasteless, only tangentially funny jokes told by people you like.

Belushi might be better off in jokey, William Bendix second-banana roles than in lead parts. He has a natural, muttish quality though. You like him without even thinking about it.

Here he plays a low-level executive at a sporting goods company. Married to Hamilton, he's starting to feel mediocre and is headed for a mid-life crisis when he meets Michael Caine, who has otherworldly powers he uses to change a crucial moment in Belushi's life.

That changes everything else too, and Belushi finds himself married to the boss's daughter, Rene (*Major League*) Russo. He also finds himself maligned by his employees as a tyrant. Even his old best friend, played by *Saturday Night Live*'s Jon Lovitz, avoids him. (Lovitz's character is a milquetoast, played in such a subdued fashion that the comedian is almost unrecognizable.)

Mr. Destiny
Jim Belushi, discovering that Michael Caine is not just a run-of-the-saloon bartender

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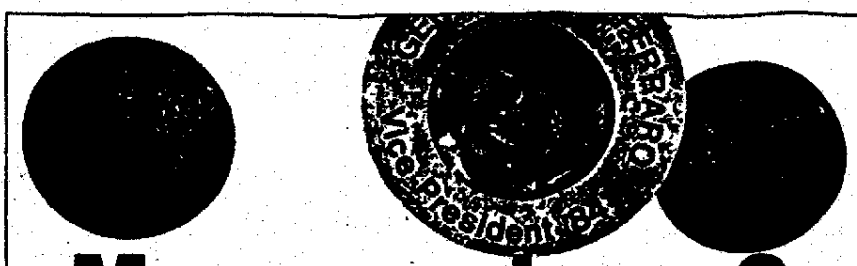


Museum pieces?

Is the women's movement dead? Or is it stalled in its tracks — and in need of a little consciousness raising?

Now a TIME special issue explores the difficult choices facing today's women. From child care to the "Mommy track," from glass ceilings to opening doors, TIME charts the toughest issues women confront in the 90's.

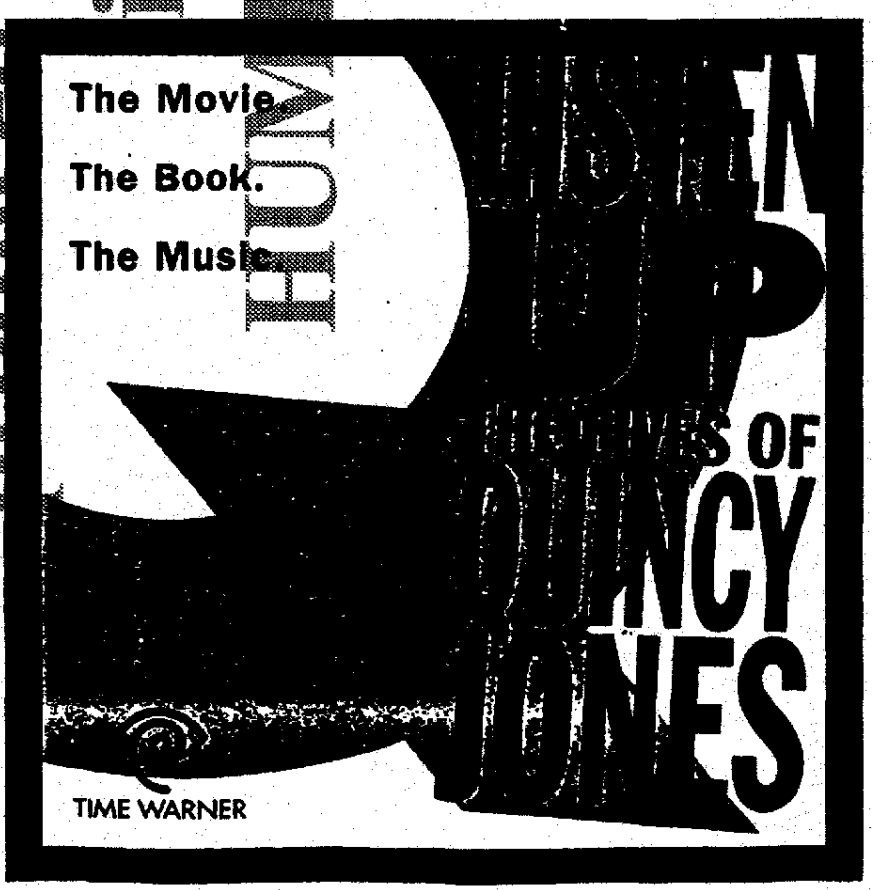
Too busy to read it? That's why you should.

Women: A TIME Special Issue

On Sale: October 29 through November

TIME

produced by RJRTC in HUMBERT



PICKS & PANS

SCREEN

It's unsettling that Belushi, while b members being married to Hamilton still loves her, is sleeping with Russo as as with his secretary. Such a penchan infidelity would help build a character serious movie, but this is a comedy tha pends a lot more on Belushi's attrac sympathy than it does on his credibility

First-time director James Orr and hi writer Jim Cruickshank (he and Orr w *Three Men and a Baby*) don't give Bel much support, stranding him in a mor ing, grass-is-always-greener script rarely relieved by anything like wit. It's posed to be a big joke, for example, w Belushi, finding himself with a butler i new life, baffles the man by asking him "brewski." Lovitz has a line—"Technic we should be cutting back on produc levels, not keeping them up"—that sou like a buildup to a joke but is all too stra and solemnly delivered.

Belushi salvages something from a b day party where his employees give him gifts as a block of cheese. When someone him what it is, he misunderstands and s "Thank you, Mr. Stilton." Credit fans note that the cast includes SPORTS IL TRATED swimsuit model Kathy Ire Corbin Bernsen's brother, Collin, in.

Those are the kinds of mild pleasures film offers. It's an inadvertent exampl the moral it preaches: Sometimes when aspire to a wonderful life, you shoul satisfied with a life of Riley. (PG-13)

NEW ON VIDEO

SAFE SEXISM: *PRETTY WOMAN*

Julia Roberts an only-in-Holly wood prostitute gorgeous, swee disease-and-pim free, a mode of well-adjuste womanhood. Th film profited fro the sexy picture o Roberts in its ads but she's certainly winning. Richard Gere, a tycoon who remakes her *Py malion*-style, is amiable. Hector El zondo, as a hotel manager, and Lau ra San Giacomo, as another hooker help to make the fairy-tale plot fun Don't expect biting wit. The filr rected by ex-sitcom meister Marshall, is as sterilized as mass market TV comedy. (Touchstone)

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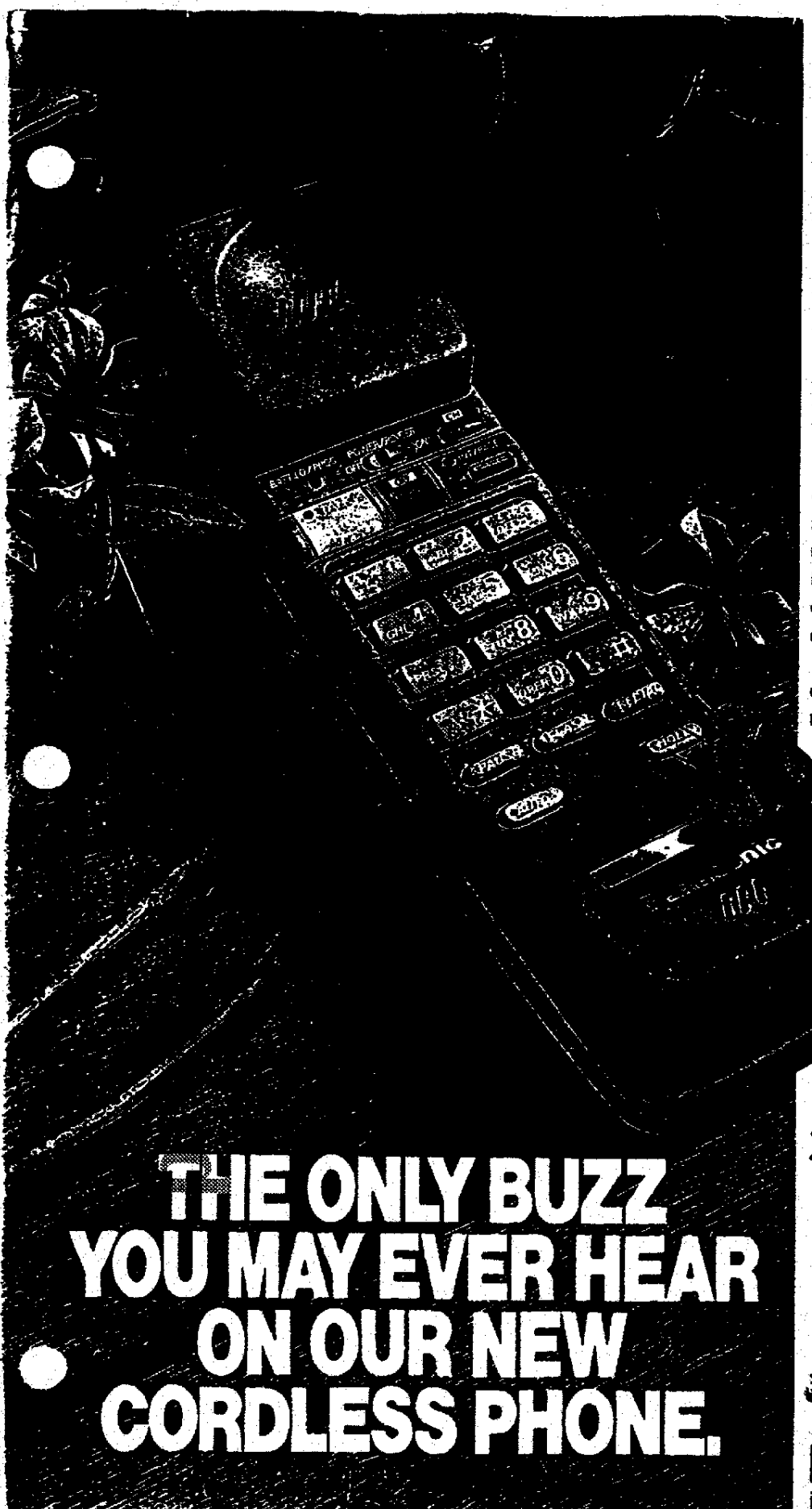

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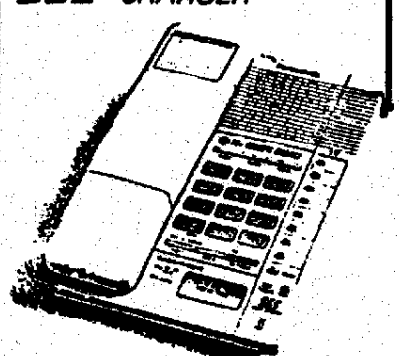

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Produced by RJR/TC

"Orville of Arabia"

He's a leader obsessed with perfection and the complete [illegible] of Gourmet Popping Corn. [illegible] No matter which one you choose, you'll [illegible] Orville Redenbacher's Gourmet Popping Corn turns ordinary [illegible] popping into an adventure of epic proportions.

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PICKS & PANS
SONG

Neil Young
The shaggy one, right, with Crazy Horse: Billy Talbot, Ralph Molina and Frank "Poncho" Sampedro

■ RAGGED GLORY
Neil Young & Crazy Horse

On this reunion with his old bandmates from Crazy Horse, Young must have been seismically inspired by the series of earthquakes he has said he felt while recording at his northern California ranch. This is Young at his garage-band best: churning out wrenching guitar riffs while still keeping a distorted melody close at hand.

A couple of the tracks clock in at more than 10 minutes, which may be stretching the let's-just-let-the-tape-machine-roll philosophy. But he's so fired up and spontaneous it's worth the extra ounce of listening effort.

While every track sounds raw and vibrant, some are particularly worthy of a mention. There's the prairie punk delight "White Line," the carefully spelled "F*!#in' Up," a kinetic ball of fury and tension. On the mega-jam "Love to Burn," Young takes his typically hard view of romance and sets it to a flurry of nasty guitar bites that scatter like shards of glass. "Why'd you ruin my life, where you takin' my kid?/ And they hold each other saying 'How did it ever come to this?' " he sings in the [illegible] he shrugs and still advises, "Take a chance on love."

Young [illegible] attempts to put the psychedelic era in some perspective on both "Mansion on the Hill" and "Days That Used to Be," warnings of the perils of clinging to the past. The record ends delicately with sort of an environmental "Star-Spangled Banner" called "Mother Earth (Natural Anthem)," recorded live at the Hoosier Dome in Indianapolis at Farm Aid IV.

If you find yourself shaking your head in disbelief after that parting track, don't be surprised. Just when folks think it's time to stick Neil away in the golden-oldie bins, the muttonchopped rocker pulls off what is close to the album of his career. (Reprise)

—Andrew Abrahams

Carly Simon
Theatrical songs in search of context

■ HAVE YOU SEEN ME LATELY?
Carly Simon

With a couple of exceptions, notably the more pop-oriented "Better Not Tell Her," the songs on this album, all written by Simon (with collaborators in three cases), tend to sound like parts of a musical taken out of context, rhythmically meandering and designed to keep a story moving.

That doesn't keep them from being occasionally intriguing on their own. "It's Not Like Him," for instance, is about a woman trying to persuade herself of her lover's infidelity: "He smiles out of context and acts so polite/ He stays at his cousin's overnight." In "Waiting at the Gate," Simon is anticipating somebody's release from a mental institution: "But I'm counting on you to prove the doctors wrong/ I'm imagining you healthy and strong." (Maybe there's a mental health theme here. "Sorry that your mother dropped you on your head/ Maybe her mother dropped her too," Simon sings in another tune, "Didn't I?") "The Fisherman's Song," which includes ethereal harmony backup by Judy Collins and Lucy Simon, seems to be set near Simon's Martha's Vineyard retreat.

Devoting as much time as she has recently to composing movie songs, Simon seems to be in a transitional phase. Her followers will admire this part of the transition—she rarely gets anywhere near a cliché—but the uninitiated might be better off picking her up somewhere further back or further down the line. (Arista)—*Ralph Novak*

■ BLACKS' MAGIC
Salt-N-Pepa
■ TAKE A LOOK AROUND
Master Ace
■ THE REAL ROCK
Shinehead

With this year's flood of new and seasoned artists, rap music has already entered a sort of golden age. Suddenly performers are improving and refining the style, pushing it in new directions.

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Advertisement

re-im-burse (rē-im-bûrs') **-bursed, -burs-ing, -burs-es** *vt.* 1. to repay 2. to give monetary compensation for losses or expenses

rein (rān) *n.* 1. often pl. a narrow leather strap attached on both ends to the bit of a horse's bridle that is used by a rider for control 2. a method of restraining or keeping in check *-vt.* 1. to guide or hold back 2. to provide with reins. *-vi.* 1. to slow down or stop a horse with reins 2. to restrain or control the action of

rein-deer (rān'-dēr) *n.* a large deer, (Rangifer tarandus) related to the caribou, and originally from certain arctic regions including Greenland, having branched antlers

re-in-force (rē-in-fôrs') *vt.* 1. to make more forceful or effective, as an argument 2. to strengthen with additional troops or military equipment 3. to strengthen 4. to increase the number of 5. to reward a subject after a desired response has been elicited *-vi.* to obtain reinforcements —**re-in-force-able** *adj.*

reinforced concrete *n.* poured concrete that contains steel bars or metal netting for the purpose of increasing its tensile strength

re-in-force-ment (rē-en-fôr'-smənt) *n.* 1. the act of reinforcing or of being reinforced 2. that which reinforces 3. pl. additional troops or military equipment

reins (rānz) *n.* pl. the kidneys

re-in-state (rē-en-stāt') **-stat-ed, -stat-ing** *vt.* 1. to bring back into use 2. to restore to a former condition or position —**re-in-state-ment** *n.*

re-in-sure (rē-in-shûr') *vt.* 1. to insure again 2. to insure by contracting to transfer all or part of a risk to another insurer *-vi.* to provide additional insurance —**re-in-sur-er** *n.*

re-in-ter-pret (rē-in-tər'-prət) *vt.* to interpret again in order to give a new explanation of —**re-in-ter-pre-ta-tion** *n.*

re-in-vent (rē-in-vent') *vt.* 1. to make something believed to be original that has already been invented 2. to totally redo —**re-in-ven-tion** *n.*

re-in-vest (rē-in-vest') *vt.* to invest capital or earnings again —**re-in-vest-ment** *n.*

re-is-sue (rē-ish'-ū) *vt.* to issue again *-vt.* to issue again *-n.* a second or subsequent issue, as of a book

re-it-er-ate (rē-it'-ər-āt) **-at-ed, -at-ing** *vt.* to say again —**re-it-er-a-tion** *n.* —**re-it-er-a-tive** *adj.* —**re-it-er-a-tive-ly** *adv.*

re-ject (ri-jekt') *vt.* 1. to refuse to make use of 2. to refuse to grant; deny 3. to rebuff a show of affection 4. to throw out as unworthy or defective —**re-ject-ing-ly** *adv.* —**re-jec-tive** *adj.*

re-ject (rē'-jekt) *n.* something that has been rejected

re-joice (ri-jois') *vi.* to be happy; to gladden

re-joic-ing (ri-jois'-ng) *n.* 1. the act of expressing or feeling joy 2. often pl. an event or reason for joy

re-join (ri-join') **-joined, -join-ing, -joins** *vt.* 1. to join together again 2. to reunite with, as with the members of a group *-vi.* to become joined together again

re-join-der (ri-join'-dər) *n.* 1. an answer 2. a defendant's answer to a plaintiff's claim

re-ju-ve-nate (ri-jū'-və-nāt) **-nat-ed, -nat-ing** *vt.* 1. to make one feel or look young again 2. to make something appear new or fresh again 3. to develop a mature topography *-vi.* to undergo rejuvenescence *syn* see renew —**re-ju-ve-na-tion** *n.*

re-ju-ve-nes-cence (ri-jū'-və-nes'-əns) *n.* renewal of a youthful look or temperament; rejuvenation —**re-ju-ve-ne-scent** *adj.*

re-lapse (ri'-lāps) **-lapsed, -laps-ing, -laps-es** *n.* 1. the act of becoming worse 2. a recurrence of symptoms after an apparent recovery from a particular illness *-vi.* to revert to a former state; regress

relapsing fever *n.* any of various acute infectious diseases caused by a spirochete (genus Borrelia) transmitted by tick or lice bites with repeated episodes of fever and chills lasting approximately one week

re-late (ri-lāt') **-lat-ed, -lat-ing** *vt.* 1. a recounting or telling 2. to show a connection or association exists *-vi.* 1. to have some type of connection: refer 2. to interact with 3. to have a favorable response to —**re-lat-able** *adj.*

re-lat-ed (ri-lā'-tid) *adj.* 1. associated with 2. connected by kinship or marriage 3. having a close connection either harmonically or melodically —**re-lat-ed-ly** *adv.* —**re-lat-ed-ness** *n.*

re-la-tion (ri-lā'-shən) *n.* 1. a recounting or telling 2. that which is told: account 3. a logical or natural association between two or more things 4. a connection of individuals by blood or marriage: kinship 5. an individual connected with others by blood or marriage: relative 6. pl. the connections or transactions between groups 7. that which connects two or more things or parts as belonging or working together 8. an attitude held by two or more people tow each other 9. the mode in which an individual or obje connected with another

re-la-tion-al (ri-lā'-shə-nəl) *adj.* 1. arising from or relating to kin 2. showing that relations exist 3. indication of a syntactic r —**re-la-tion-al-ly** *adv.*

re-la-tion-ship (re-lā'-shən-ship) *n.* 1. the state of being relate connection by blood or marriage: kinship 3. a situation exi among people who are related or are dealing with one another, as a romantic attachment

rel-a-tive (rel'-ə-tiv) *n.* 1. something that has a connection wi dependence on another thing 2. one related by common ancest a word that refers to or qualifies as a grammatical antecedent -a relevant; germane 2. compared or related to something els major and minor keys and scales that have the same key signa 4. described as the ratio of a specified quantity to the magnitude of the quantities involved

relative humidity *n.* the ratio of the actual amount of water vapo the air at a specific temperature to the greatest amount of w vapor possible at that temperature

rel-a-tive-ly (rel'-ə-tiv-lē) *adv.* to a relative degree; somewhat

relative major in music, the major key whose tonic is the degree of a particular minor key

relative minor in music, the minor key whose tonic is the degree of a particular major key

rel-a-tiv-ism (rel'-ət-iv-iz-əm) *n.* 1. any theory of ethic knowledge which maintains that the basis of judgement is rela differing according to events or individuals 2. a view that eth truths are dependent upon the individuals and groups hol them 3. relativity

rel-a-tiv-ist (rel'-ə-ti-vist) *n.* 1. one who embraces relativism physicist who specializes in the theories of relativity

rel-a-tiv-is-tic (rel-ə-tiv-ist'-ik) *adj.* 1. pertaining to relativis moving at a velocity that is a significant fraction of the spee light

rel-a-tiv-i-ty (rel-ə-tiv'-ə-tē) **-ties** *n.* 1. the condition or quality being relative 2. a state of dependence in which the significanc existence of one entity is completely dependent on that of ano 3. the theory of relativity

re-la-tor (ri-lā'-tər) *n.* one who recounts or narrates

re-lax (ri-lāks') *vt.* 1. to loosen 2. to make less strict or severe lessen the strength of 4. to release from extreme effort or con *-vi.* 1. to become loose or less firm 2. to become less severe become less nervous in the presence of others 4. to seek a res from effort, concern or work 5. to attain an equilibrium follow the removal of an external influence —**re-lax-er** *n.* —**re-lax-a** *adj.*

re-lax-ant (ri-lāk'-sənt) *adj.* producing relaxation *-n.* something relaxes

re-lax-ation (ri-lāk-sā'-shən) *n.* 1. the act of relaxing or state of be relaxed 2. activity of a recreational nature: diversion 3. a lessen of strictness or severity 4. a lengthening of inactive muscle muscle fiber 5. the return of a system to its original state after be perturbed

relaxation time *n.* the amount of time it takes for an exponen variable to decrease to 1/e (0.368) of its initial value

re-laxed (ri-lākst') *adj.* 1. not harsh or strict 2. at rest 3. behavin an informal or easygoing way —**re-lax-ed-ly** *adv.* — **re-laxed-n** *n.*

re-lay (rē'-lā) *n.* 1. a fresh supply of animals meant to relieve oth tired by a hunt or journey 2. a group of workers who relieve anot crew 3. the act of passing something along in stages from person, group or station to another 4. an electromagnetic dev that is activated by a change in conditions of an electric circuit that turns other electrical devices on or off *-vt.* 1. to convey relays 2. to provide with fresh relays 3. to control, send, or oper by a relay

relay race *n.* a race between two or more teams during which e team member runs only a set part of the race

re-lease (ri-lēs') **-leased, -leas-ing** *vt.* 1. to set free from a restrict situation 2. to unfasten or let go of 3. to give up for another 4. give permission to publish, show, sell or perform 5. to relieve fr debt or other obligation *syn* see free *-n.* 1. relief from pain suffering 2. the giving up of a right or claim 3. the act of freein statement or other matter specially prepared for the press

re-lease (rē'-lēs) **-leased, -leas-ing, -leas-es** *vt.* to lease again

release print *n.* a film released for public viewing

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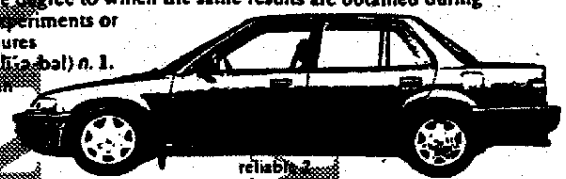
re-leas-er (ri-lē′-sər) *n.* that which releases
rel-e-gate (rĕl′-ə-gāt) **-gat-ed, -gat-ing, -gates** *vt.* 1. to send away to a specified place; banish 2. to assign to an inferior position 3. to give authority to another
re-lent (ri-lent′) *vi.* 1. to act in a less severe or strict manner 2. let up, slacken
re-lent-less (ri-lĕnt′-lĭs) *adj.* persistent; harsh —**re-lent-less-ly** *adv.* —**re-lent-less-ness** *n.*
rel-e-vance (rĕl′-ə-vəns) *n.* 1. pertinence 2. value in the context of application to social standards 3. the ability of an information retrieval system to allow the user to select and retrieve material that satisfies the user's needs
rel-e-vant (rĕl′-ə-vənt) *adj.* germane to the matter at hand; pertinent —**rel-e-vant-ly** *adv.*
re-li-a-bil-i-ty (ri-lī-ə-bĭl′-ə-tē) *n.* 1. the state or attribute of being reliable 2. the degree to which the same results are obtained during successive experiments or other procedures
re-li-a-ble (ri-lī′-ə-bəl) *n.* 1. that which can be trusted or relied directly on; dependable



reliable 2

2. The Honda Civic 4-Door Sedan —**re-li-a-bly** *adv.*
re-li-ance (ri-lī′-əns) *n.* 1. the act of relying or the state of being reliant 2. a person or thing relied on 3. confidence or trust in someone —**re-li-ant-ly** *adv.*
rel-ic (rĕl′-ĭk) *n.* 1. a person or thing that has survived decay or deterioration 2. an object venerated because of age or association with another; keepsake 3. pl: corpse; remains 4. a belief or custom remaining as evidence of an earlier culture or practice
rel-ict (rĕl′-ĭkt) *n.* 1. widow 2. a surviving remnant of an otherwise extinct organism or species 3. a geological remnant remaining after other parts have eroded away *-adj.* relating to a relict
re-lic-tion (ri-lĭk′-shən) *n.* 1. the gradual recession of water resulting in permanently dry land 2. land exposed by reliction
re-lief (ri-lēf′) *n.* 1. removal or lessening of something painful or upsetting 2. that which lessens pain or anxiety 3. aid in the form of money or necessities 4. military aid to an endangered post or force 5. the ending or avoidance of monotony or boredom 6. release from duty 7. one who takes the place of another on duty 8. sharpness or prominence resulting from contrast
re-lief (ri-lēf′) *adj.* 1. providing relief 2. having significant inequalities along the surface 3. used in letterpress
relief map *n.* a map that shows land configurations using contour lines, shading or colors
relief pitcher *n.* a baseball pitcher who replaces another during a game
relief printing *n.* letterpress
re-lieve (ri-lēv′) **-lieved, -liev-ing, -lieves** *vt.* 1. to give aid or help to 2. to alleviate pain or trouble 3. to release from an unpleasant situation 4. to cause the removal of 5. to eliminate or lessen the monotony of 6. to use contrast to accentuate 7. to take from *-vi.* 1. to offer relief 2. to stand out in relief —**re-liev-able** *adj.* —**re-liev-er** *n.*
re-lieved (ri-lēvd′) *adj.* experiencing relief
re-li-gion (ri-lĭj′-ən) *n.* 1. the belief in a supernatural entity responsible for creating the universe 2. devotion or commitment to religious faith or observance 3. an individual or collective set of religious beliefs and practices 4. a cause or ideals followed faithfully
re-li-gious (ri-lĭj′-əs) *adj.* 1. relating in some way to religion 2. pious *-n.* pl. a person who belongs to a community or order of nuns or monks
re-line (rē-līn′) to add new lines to 2. to install a new lining
re-lin-quish (ri-lĭn′-kwĭsh) **-quished, -quish-ing, -quish-es** *vt.* 1. to put aside; abandon 2. renounce 3. to stop holding on to; let go of physically 4. to give up control of —**re-lin-quish-ment** *n.*
rel-i-quary (rĕl′-ə-kwer-ē) **-quar-ies** *n.* a box, shrine or other container for keeping or showing relics
rel-ish (rĕl′-ĭsh) *n.* 1. a great enthusiasm for something: a liking 2. something that offers pleasure or enjoyment 3. the distinctive flavor of a food 4. a trace or hint of an important attribute 5. a condiment with a spicy or savory flavor *-vt.* **-ished, ish-ing** 1. to like, enjoy 2. to like something's flavor 3. to give a distinctive flavor to *-vi.* to have an agreeable taste —**rel-ish-able** *adj.*
re-live (rē-lĭv′) *vi.* to experience again an event or feeling from the past using the imagination
re-lo-cate (rē-lō′-kāt) **-cat-ed, -cat-ing, -cates** *vt.* to move to a new place *-vi.* to become established at a new location —**re-lo-ca-tion** *n.*
re-lo-cat-ee (rē-lō-kā′-tē) *n.* one who has been relocated
re-lu-cent (ri-lōō′-sənt) *adj.* reflecting light; bright
re-luct (ri-lŭkt′) *vi.* 1. to struggle against 2. to show reluctance or opposition
re-luc-tance (ri-lŭk′-təns) *n.* the state of being reluctant or unwilling —**re-luc-tan-cy** *n.*
re-luc-tant (ri-lŭk′-tənt) *adj.* 1. opposed to; unwilling 2. marked by unwillingness 3. offering resistance —**re-luc-tant-ly** *adv.*
re-luc-tiv-i-ty (ri-lŭk-tĭv′-ə-tē) *n.* the reciprocal of magnetic permeability
re-lume (rē-lōōm′) **-lumed, -lum-ing** *vt.* 1. to make bright again 2. rekindle
re-ly (ri-lī′) **-lied, -ly-ing, -lies** *vi.* 1. to depend on. 2. to trust; have confidence in
rem (rĕm) [r(oentgen) e(quivalent in) m(an)] *n.* the amount of ionizing radiation required to cause the same biological effect approximately equal to one roentgen of high-penetration X-rays
REM (rĕm) R(APID) E(YE) M(OVEMENT) *n.* The rapid, jerky eye movement that occurs during the dreaming stages of the sleep cycle
re-main (ri-mān′) *vi.* 1. to stay or be left over after others have gone 2. to go on without change 3. to remain in order to be dealt with 4. to last or persist
re-main-der (rē-mān′-dər) *n.* 1. that which is left over after other parts have been taken away. 2. what is left when one number is divided by another that is not one of its factors 3. what is left when a smaller number is subtracted from a larger one 4. a book remaining with a publisher after sales have fallen off that is sold at a reduced price *-vt.* to sell as a remainder
re-make (rē-māk′) *v.* to make again
re-make (rē′-māk) *n.* something made again, such as a motion picture
re-mand (ri-mănd′) *vt.* 1. to send or require to go back 2. Law. to send back into custody, or to send a case back to a lower court —*n.* 1. the state or act of being remanded 2. a remanded individual
re-ma-nence (rĕm′-ə-nənts) *n.* in physics, the magnetic flux that remains in a material after the magnetizing force has been removed
re-ma-nent (rem′-e-nent) *adj.* remaining
re-mark (ri-märk′) *n.* 1. the act of noticing and commenting 2. a verbalized comment or opinion *-vt* 1. to notice 2. to verbalize a comment or opinion *-vi.* to make a comment or express an opinion
re-mark-able (ri-mär′-ke-bəl) *adj.* 1. worthy of notice 2. extraordinary —**re-mark-able-ness** *n.* —**re-mark-ably** *adv.*
re-marque (ri-märk′) *n.* 1. a mark made in the margin of an engraving plate to indicate its stage of development and that appears only on proofs 2. a print, proof or plate with this mark
re-mas-ter (rē-măs′-ter) *vt.* to create a new master of
re-match (rē′-măch) *n.* a second match between the same opponents
re-me-di-a-ble (ri-mēd′-ē-ə-bəl) *adj.* able to be remedied
re-me-di-al (ri-mēd′-ē-əl) *adj.* 1. providing a remedy 2. intended to help students improve their academic standing —**re-me-di-al-ly** *adv.*
re-me-di-a-tion (ri-mēd-ē-ā′-shən) *n.* the act of remedying
rem-e-dy (rĕm′-əd-ē) **-dies** *n.* 1. something therapeutic for the relief of pain or cure for disease 2. something that corrects 3. a legal means to enforce a right or to prevent or correct a wrong *-vt.* **-died, -dy-ing** 1. to improve or cure. 2. to put right
re-mem-ber (ri-mĕm′-bər) **-bered, -ber-ing** *vt.* 1. to think of something again 2. to recollect 3. to keep carefully in memory so as not to forget 4. to keep an individual in mind for recognition 5. to send regards from another *-vi.* to have or use memory
re-mem-brance (ri-mĕm′-brəns) *n.* 1. a remembering 2. the state of being remembered 3. an occasion during which the memory of an individual or event is honored 4. the period of time over which one recalls or remembers 5. an item that reminds one of a person, thing or event
rem-i-ges (rĕm′-ə-jēz) *n.* pl., sing. **rem-ex** (rem-eks) the quill feathers located on a bird's wing
re-mind (ri-mīnd′) **-mind-ed, -mind-ing, -minds** *vt.* to cause to remember
rem-i-nisce (rĕm-ə-nĭs′) **-nisced, -nisc-ing, -nisc-es** *vi.* to recall or talk about past experience
rem-i-nis-cence (rĕm-ə-nĭs′-əns) *n.* 1. the act of recollecting the past 2. something that is remembered 3. pl. a retelling of past experiences 4. something that reminds one of something similar

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PICKS & PANS

SONG

Shinehead
Rap from Jamaica via the Bronx

This fall, New York City rappers Salt-N-Pepa will begin a national tour to belatedly promote their third album, *Blacks' Magic*, which was released last spring. The album, f the year's best, innovates by infusing . . with contagious dance music. Salt-N-Pepa (Cheryl James and Sandy Denton) enlisted such talented singers as Jacci McGhee and Joyce Martin to help them deliver the melodic breaks between the spoken rap. Never preachy or false, they pour out a feisty fusion of funk and positive attitude as they deliver lyrics that express pride in being black and female.

They rap with refreshing candor, and put down the prudishness of censorship groups, on "Let's Talk About Sex": "Don't be coy, avoid or make void the topic/ 'Cause that ain't gonna stop it. . . . Those who think it's dirty have a choice/ Pick up the needle, press pause or turn the radio off."

On his first album, Master Ace (real name: Duval Clea) keeps his music simple in order to show off his virtuosity as a street rhymer. Though he wastes his talent in songs that merely flaunt his rapping prowess, Ace flourishes in other numbers that speak in the voices of troubled ghetto residents.

"The Other Side of Town," for instance, begins with the familiar spiel of a panhandler, then describes the life of poverty that leads people to become beggars. Ace, who uses vulgar language sparingly and appropriately, depicts the frustration of a hungry at school who screams, "F--- geometry. My stomach is empty!" In other songs Ace insists that positive action, not self-pity, is needed to ameliorate the problems he describes. "I see plenty of sunshine in the sky," he raps in the title tune. "Maybe next

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PICKS & PANS

SONG

time, instead of complaining, you'll go out and get a piece of the pie."

Shinehead combines sharp lyrics, infectious energy and bright melodies and rhythms. After growing up on the island of Jamaica and in the Bronx, Shinehead (real name: Edmund Carl Aiken Jr.) parlayed his background into a musical mix of rap and reggae. While both genres sometimes include tedious repetition, Shinehead sprinkles his music with entertaining surprises. He imitates Humphrey Bogart, stretches the jingle from the Mario Brothers video game into a funky background melody and croons part of the Sammy Cahn chestnut "Love and Marriage." Like Salt-N-Pepa and Master Ace, Shinehead often delivers an encouraging message to poor urban kids. "As entertainers we were put into the position to teach/ Not to abuse freedom of speech," he sings in the title song.

In fact, he and a lot of other rappers perform that task while creating fine, fun music. (Salt-N-Pepa: Next Plateau; Master Ace: Reprise/Cold Chillin'; Shinehead: Elektra)

—*Michael Small*

MOMENT OF TRUTH

Suzy Bogguss

CEE CEE CHAPMAN

Cee Cee Chapman

These second albums should confirm people's suspicions that Bogguss and Chapman are two of country music's most enjoyable Jill-come-latelies.

Both offerings (each co-produced with the singers by Jimmy Bowen) are characterized by intelligent song selection.

Bogguss sounds more subdued than did on her 1989 debut (sorry, yodeling f but there's not a lay-tee-o-tee to be he here). She does, however, do some nic menting on "My Side of the Story," she wrote with husband Doug Crider, indulges her bluesy streak on the Even vens-Hillary Kanter tune "Blue Days."

Chapman, at times sounding like C gone down-home, maintains a high inte

Suzy Bogguss
De-yodelized, but otherwise keeping things perking along in most enjoyable fashion

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ty level, yet has fun with such tracks as the Rick Carnes–Pam Tillis song "What Would Elvis Do." Wondering how Elvis might face dilemmas in her life, she considers whether he would buy a pink Cadillac, decides in the affirmative and adds, "He'd say, I'll take that pink one/ and one for Mama too." "Dance with the One That Brought You" is a restated piece of folk wisdom from Sam Hogin and Gretchen Peters, and the Stevens-Kanter duo is represented on Chapman's album, too, by "Everything."

Chalk up two votes against the sophomore jinx. (Bogguss: Capitol; Chapman: Curb/Capitol)—*R.N.*

Cee Cee Chapman
The bluesy country singer going a bit funky for her "Everything" video

EMPIRE
Queensrÿche

When you're working over the same ground again and again with heavy equipment, it's tough not to get caught in a rut. But Queensrÿche, a thinking man's metal band from Seattle, dares to be different. They've come up with a strikingly heterogeneous album.

Unlike its popular predecessor *Operation: Mindcrime*, *Empire* is not thematically tied. Among the songs are an angry environmental screed, a paean to sadomasochistic passion and the sagas of a determined man confined to a wheelchair by a childhood accident and of a bag lady.

The music ranges around more than the lyrics. The rather gentle "Silent Lucidity," a teenager's lullaby, even gets full orchestration with violins and French horns. The stentorian "Best I Can" sounds like Rush with considerably more guitar heft, courtesy of Chris DeGarmo and Michael Wilton. "Jet City Woman" rumbles along with a Zeppelinesque slide-guitar slouch.

Admittedly the quintet's ambition vaults them at times into some insufferably stuffy territory, notably "Hand on Heart." But even so, the scope of this record is laudable.

The title track probably comes closest to a sustained head-banging mood. More typical is "The Thin Line," in which an ominous theme gives way to a tender variation, both of which get obliterated in the power dust-off of the chorus. It's those unexpected metal spikes that make *Empire* so potent. You know the hammer is going to come down.

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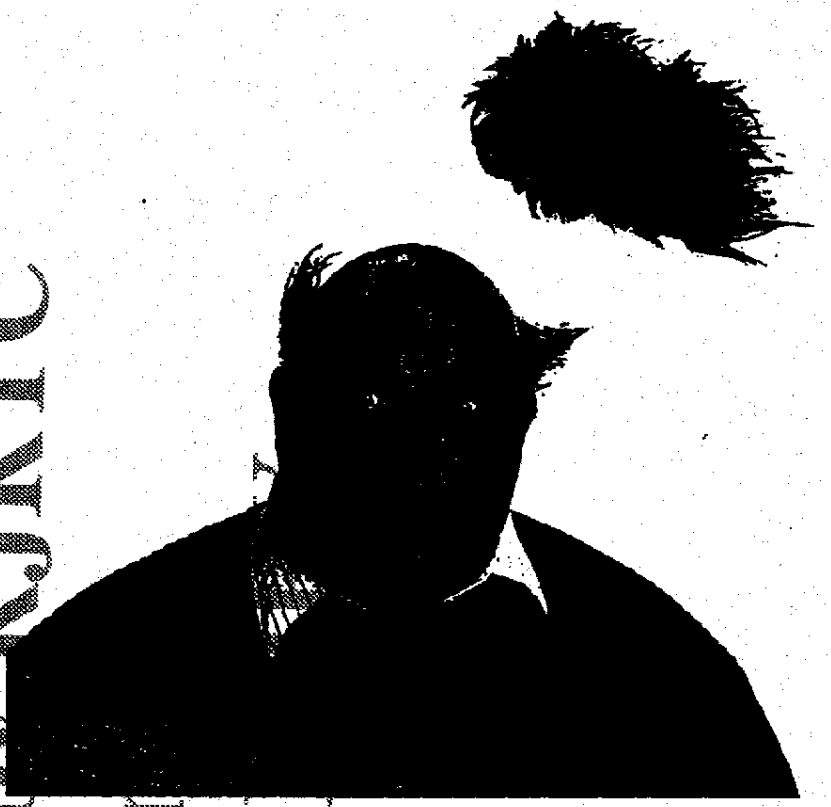

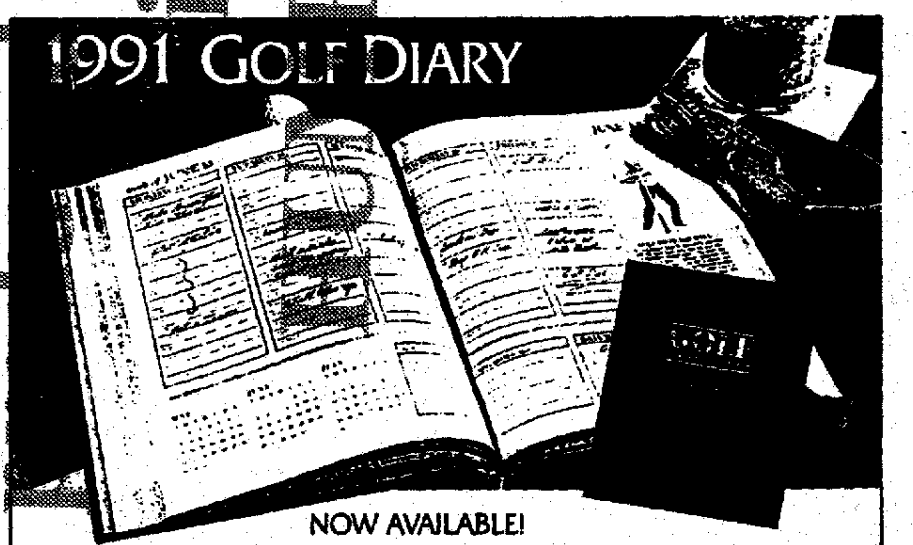

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PICKS & PANS

SONG

you just don't know when. Brace yourse
(EMI)—*David Hiltbrand*

STRAY Aztec Camera

It's probably a safe bet that deep down i side, Roddy Frame rues the day he wr "Oblivious." Frame, creator and perpetu tor of Aztec Camera, had an alternative r dio hit with the peppy song back in 1982. I was the flavor-of-the-month for exactly days and then got left behind in the cutc bins with most of the artists from the lon gone new wave days.

Despite the release of a couple of qual albums since then, all anybody seems to member him for is his golden oldie. *Str* may not help from a sales point of view, b the record does prove that Frame has or gotten better since "Oblivious." There a plenty of jovial tunes with melodies so in sistible that singing along with them seer as natural as breathing.

"The Crying Scene" should be music any Top 40 programmer's ear, and Frame duet with ex-Clashmeister Mick "Good Morning. Britain," has enou to sound right at home on rock radio.

What really makes *Stray* such a cut abo most pop records, though, is Frame's abi ty to write a ballad. The dreamy cockt jazz of such songs as the title track a "Over My Head" lends a touch of class the project. You still need a decoder ring figure out Frame's lyrics, but with su

MUSIC ON VIDEO

TOTAL RECALL

Using concert footage, TV clips and stills, this video traces the career of the avant-garde London rock group Roxy Music and its elegant lead singer, Bryan Ferry.

Starting in 1972, Ferry mutates from glam rocker to Vulcan vampire to lounge lizard to ironic soul man to Bill Medley–clone to Casanova. The 97-minute tape seems slapped together. You can see, though, that for a band that emphasized style, Roxy Music didn't skimp on substance. Such songs as "Both Ends Burning," "Dance Away" and "The Main Thing" still sound fresh.

A bonus is taking a few gand young Jerry Hall. Pre-Jagger, the leggy Texan was Ferry's mate. (Virgin. $19.98)—*David Hiltbrand*

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Roddy Frame
Keeping Aztec Camera more or less in focus

strong music, that doesn't matter much.

Back in the "Oblivious" days, Frame suffered most from the dreaded "new syndrome" (as in, being called everything from the new Elvis Costello to the new Bob Dylan). Now that he's just the old Aztec Camera, maybe it's time to give him his due. (Sire/Reprise)—*Craig Tomashoff*

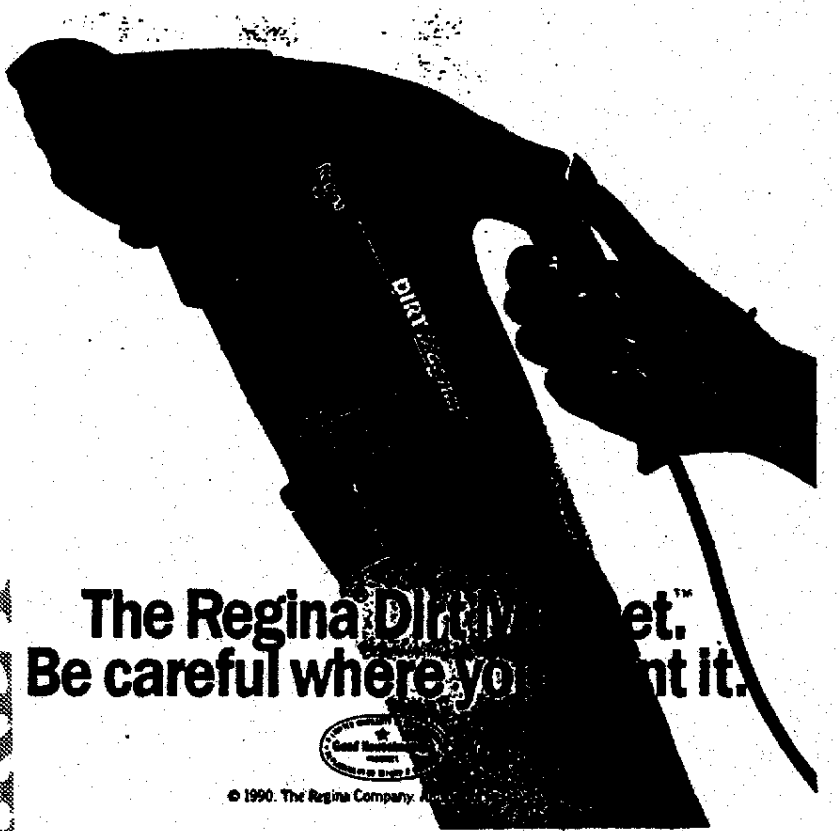
KING TEARS
Valter Hyatt

While Lyle Lovett co-produced it and it was recorded in Nashville, this album has very little to do with country music. It fairly defies categorization; in fact, though Hyatt falls somewhere along the pop-to-lounge jazz continuum. He's a singer who is unlikely to set off any perfect-pitch alarms but has a pungent, ingratiating style, something along the lines of Hoagy Carmichael. He also writes quirky, bluesy tunes, such as the title track: "She taught a song, and that's all it took for me/ And that's how she got my freedom/ And the man I used to be."

It's a measure of his eccentricity that the two songs on this album he had no hand in writing are "Ruby," the Heinz Roemheld–Mitchell Parish song associated with Ray Charles, and "Que Reste-t-il de Nos Amours?" a 1942 tune by Charles Trenet known as "I Wish You Love" in its English version. Hyatt sings it in French—the title is closer to "Is There Anything Left of Our Love?"—and quite affectingly too.

Hyatt, 41, is from Spartanburg, S.C. He was performing in Texas in the early '80s when he met Lovett, who opened for him at a club in College Station. Last year Hyatt returned the favor, opening for Lovett on t ge Band tour.

att sings on this album in front of an acoustic quartet that includes a high school pal, guitarist Champ Hood and studio pia-



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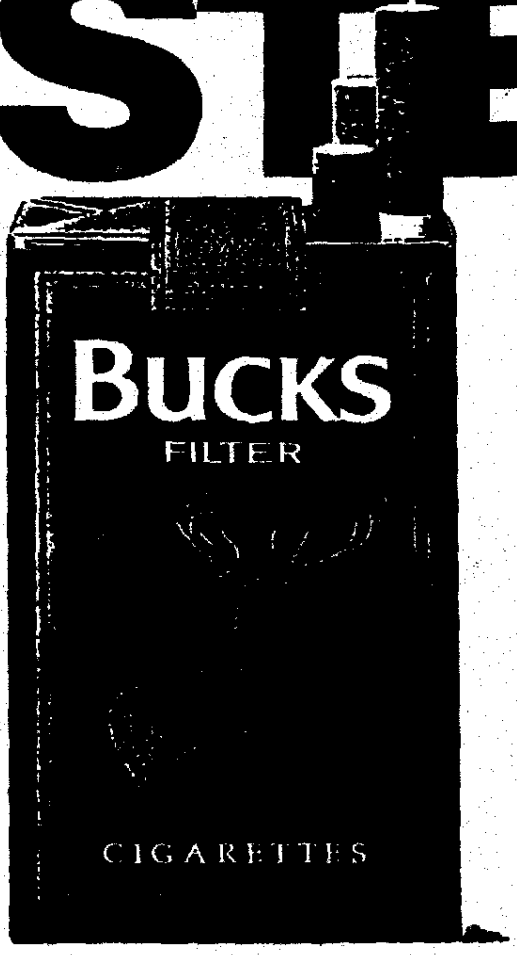

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PICKS & PANS

SONG

ıust Matt Rollings. Another buddy of Hyatt's, David Ball, adds a harmony vocal. (Ball's big-time debut album was unaccountably shelved last year by RCA.)

Niche-finding may well be a problem for Hyatt—it's hard to imagine many radio stations playing this kind of thing, for instance. But everybody would profit from making room for him on one shelf or other. (MCA)—*R.N.*

■ **JORDAN: THE COMEBACK**
Prefab Sprout

You don't listen to *Jordan: The Comeback*. You absorb it. It filters in through your pores like the sun on a beautiful spring day.

This fourth U.S. album by the four Brits of Prefab Sprout is for all those people who whine that nobody in music does anything intelligent anymore.

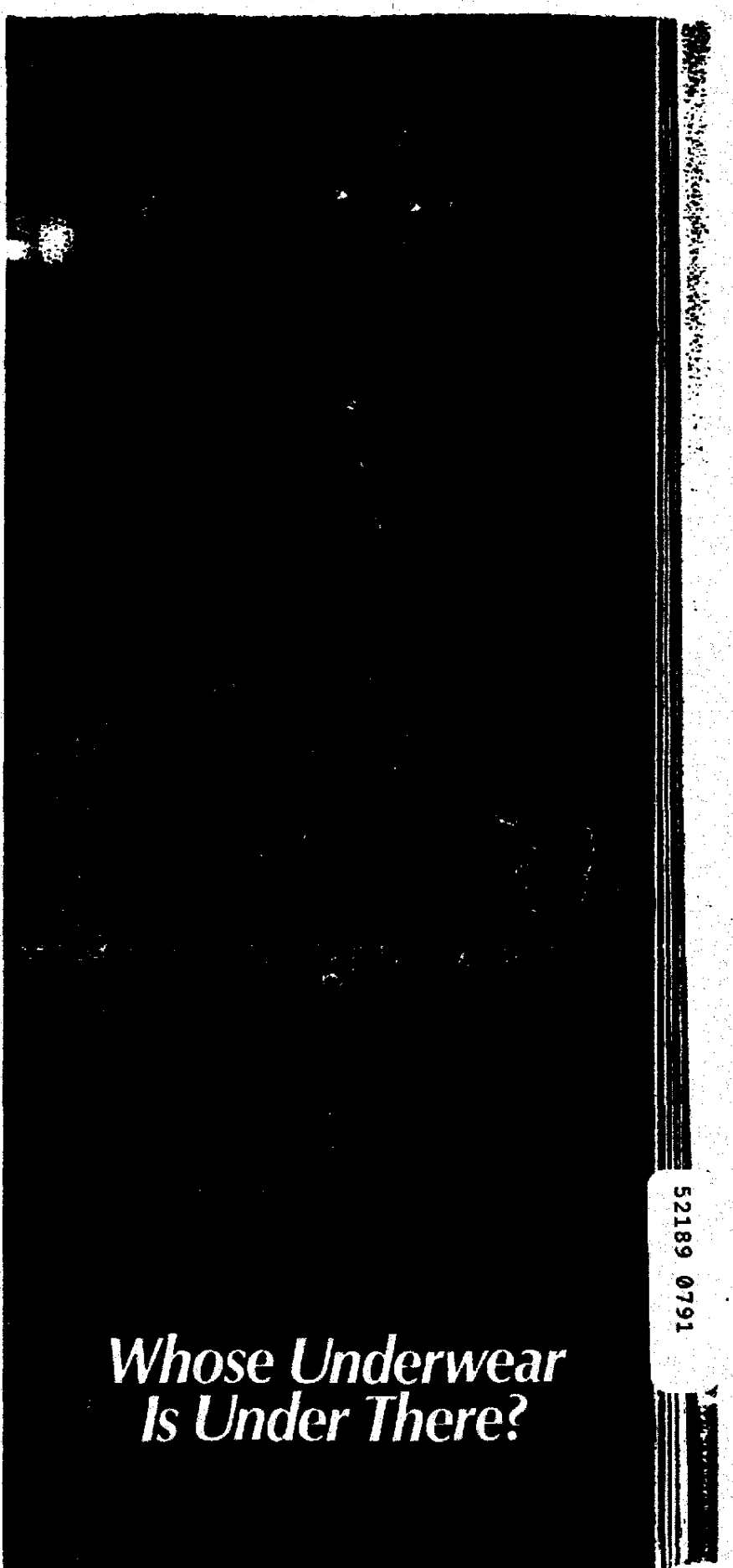
On the band's last album, 1988's *From Langley Park to Memphis*, lead singer-songwriter-romanticist Paddy McAloon tabled his usual airy pop stylings in favor of the gimme-a-hit-single approach. With a title like *Jordan: The Comeback*, it's appropriate that the new record is not only a return to the trademark Sprout blend of jazz, blues and Elvises Presley and Costello. It breaks new ground even for a ground-breaking band.

Whether the pace is fast ("Looking for Atlantis"), slow ("Wild Horses") or dream time ("Paris Smith"), McAloon displays an uncanny knack for creating lush, intricate melodies that plug into your pleasure centers. No blaring horns. No awesome guitar solos. No disco backbeat. Just soft, good-natured ıms that play like Steely Dan with a cheerful personality.

McAloon uses the same charming, innocent approach in his lyrics, of which there are many. He crams more words into an album than you find in some dictionaries. It doesn't matter if he's singing about God or girls, his two favorite subjects. Every phrase has an endearing, life-affirming aura to it.

Let's put it this way. Say you lose your job today. Terrorists kidnap your cat. And your cable goes out, except for the 24-hour All-Chess Channel. Just slip on *Jordan: The Comeback*, and you'll be feeling better in no time. (Epic)—*C.T.*

Prefab Sprout
Neil Conn, Paddy McAloon, Wendy Smith and Martin McAloon



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PICKS & PANS
PAGES

■ THE POWER TO HEAL
Edited by Rick Smolan, Phillip Moffitt and Matthew Naythons, M.D.

Whatever the general validity of the pictures vs. words cliché, in this case the photographs have the text beaten a million to one.

Smolan, founding father of the *Day in the Life* books, ex-*Esquire* editor Moffitt and doctor-photographer Naythons have created a volume that is basically a day in the life of life and death. Its 205 photographs from all over the world show the sick or injured—and those trying to avoid getting that way—as well as people who try to help them.

The photographs are not a total success. They are, most crucially, literally bloodless. There is hardly any blood to be seen, as if the book's coffee-table potential might be hurt by showing, say, a close-up of surgery.

Nonetheless, there are many great photographers at work here. There is Nick Kelsh's sunny portrait of year-old test-tube triplets sitting in a basket on the front lawn of Bourn Hall Clinic in Cambridge, England. Randy Olson shows a quadriplegic working, with defiant determination, to strengthen his arms at the Miami Project to Cure Paralysis. In a Eugene Richards shot, Guinean boys lead elders blinded by a disease carried by parasites through a village.

The book's text, mostly by a series of guest authors, is another proposition, showing a distinct bias toward exotic medical techniques. This extends to credulously describing, and implicitly prescribing, fringe ideas. A caption on a photo showing warm herbed sesame oil being poured on a woman's head at the Maharishi Ayur-Veda Health Center in Lancaster, Mass., says the procedure will "reduce the body's stress and bring about a state of bliss."

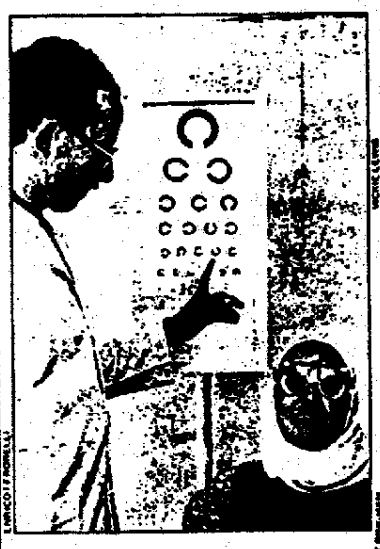
Ethnobotanist Wade Davis recites a respectful history of premodern medicine, noting that "ancient Peruvians cut holes in the skulls of the living to provide disease with an avenue of escape" and showing no skepticism towards the efficacy of such surgery. A doctor to the Dalai Lama is quoted, uncritically, as saying that all illness is caused by "the ignorance arising through not recognizing the meaning of selflessness." Death specialist Dr. Elisabeth Kübler-Ross makes the outrageous statement that "we have to teach children that anger is a blessing and a gift from heaven."

When the text isn't transcendental, it is often banal. In his introduction, Moffitt rambles, then says that "health and wellness are not an end goal, but are rather an ongoing process . . . the process of life itself," i.e., most of us who are not dead are making a sincere effort to remain that way. Editor-author George Leonard, in an essay on the heart, concludes, "To heal the heart, we must change the way we live."

At a few points the book shows more faith in orthodox techniques. A list of the century's 13 greatest developments in medicine includes none—zero—that are at all outside modern, science-based medicine. In her essay, biographer Judith Thurman notes that the life expectancy of her grandfather, born in 1871, was about 35; that of her son, born in 1989, is 72.

But too often the acknowledgment of the achievements of mainstream medicine is compromised by digressions. Author Barbara Ehrenreich, for example, ends an essay on women in medicine with some sexist mumbo jumbo, citing Underground Railroad heroine Harriet Tubman's reputation as a healer: "In the tradition of 'Dr. Tubman,' who helped awaken the soul of an entire nation, today's women healers may help revive the soul of modern medicine."

Stuff a tongue depressor in it. Barbara, let us get back to looking at the pictures. (Prentice Hall Press, $40)—*Ralph Novak*



The Power to Heal
Clockwise from top left: a Philadelphia leukemia pa being comforted by her son; medical students at the versity of California at San Diego removing skin fro cadaver; a New Mexico burn victim with her father a schoolmates; a teenage mother in San Francisco ho her new baby; a patient in Konstancin, Poland, usin traction to treat a back condition; a doctor giving an test at a mosque-clinic in Cairo

■ A TRAIL OF HEART'S BLOO WHEREVER WE GO
by Robert Olmstead

Early in Olmstead's distinctively intros tive novel, Eddie Ryan's wife, Mary, s

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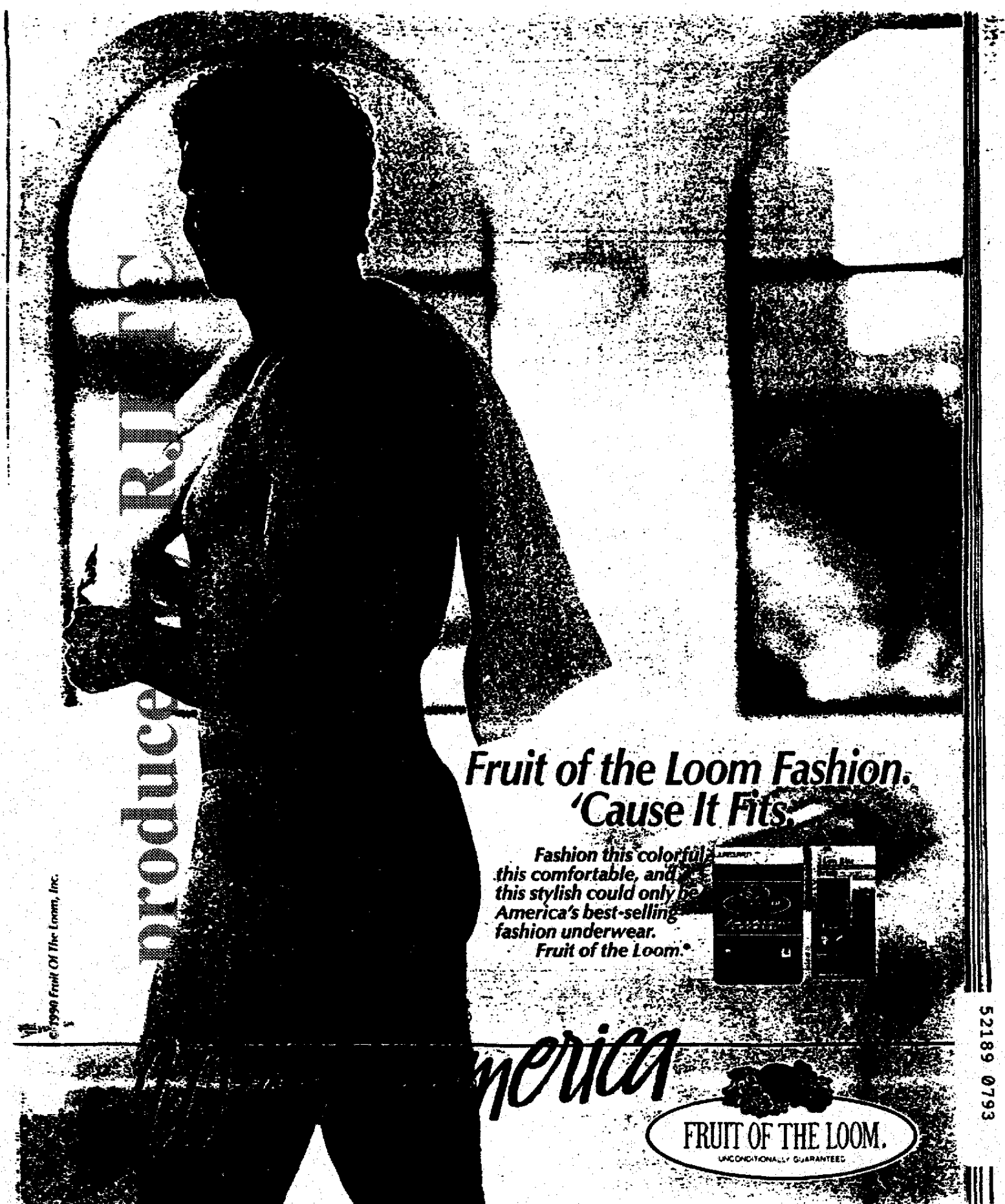

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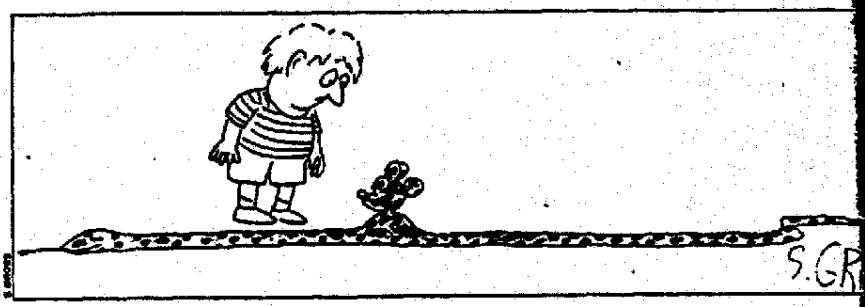
PICKS & PANS

PAGES

their New Hampshire home fretting about how many freebie corpses they're preparing. Eddie shrugs off the loss. "You can't be a good businessman," he explains, "and a good mortician." Ryan is a very good mortician, with a bizarre sense of humor.

"Just how debilitating was this illness?" he asks when one of the town's more formidable citizens, Isabel Huguenot, dies. Told that she "debilitated about 15 pounds," he confronts the prospect of laying out a 500-lb. woman. Nor is Eddie shaken when a stiff in his living room sits up—Colleen Quimp, prematurely sent over by a nursing home ("I think there's been a little mix-up," she says). Most important: He doesn't blink when a wild-eyed logger named Cody arrives one Christmas Eve, bearing the chain sawed body of his partner.

A most unlikely man who comes to dinner, Cody stays, becoming a catalyst for Ryan's crisis and redemption. Drinking alone and together, the two begin bonding, dancing tentatively around Mary and the Ryans' children. Cody's moods and sexual confusion add a mysterious counterpoint



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Movies Movies Movies
Three semijaundiced cinematic cartoon comments by, clockwise from left, S. Gross, Charles Sauers and Gahan Wilson

to the ordinary life that shields Eddie's brutal memories—of Vietnam and an alcoholic father. In between the psychic explosions, Olmstead—whose earlier books, *River Dogs* and *Soft Water*, earned him a Guggenheim Fellowship—allows routine family dramas, quarrels and triumphs to unfold.

As poetic as its title, *A Trail of Heart's Blood* becomes a leisurely sojourn among one town's eccentric denizens. Not for all tastes, it will delight those who, like Olmstead, view the world with a blithe sense of futility. Or, as Eddie Ryan puts it: "How the hell am I supposed to know the right words all the time? Sometimes I think I'm just wandering through like the next guy." (Random House, $19.95)—*Susan Toepfer*

■ MOVIES MOVIES MOVIES, Edited by S. Gross

Making the movie business seem silly is a gilding-the-dandelion sort of pastime, Hollywood's ego flights, omni-exploitation and general crassness reaching self-parody levels as often as they do.

But Gross, cartoon editor of *National Lampoon*, has found 150 or so drawings that tease and excoriate the cinematic subculture, including all its buffs and buffoons, in an original, funny fashion.

QUOTE

Peter Benchley, upon titling his first novel: "From *Literary Outlook*, Cadillac, edited by Larry Dark. (Fawcett Gold Medal, paperback, $3.95.)

"I had toyed with a lot of Francoise Sagan-like titles, such as *A Sadness in June* and *My Father Goat*, and with splendid suggestions like *What's That Noshing on My Knee?* Then there were *The Jaws of Death* and *Leviathan Rising* and *White Death* and *The Jaws of Leviathan* and *Death in the Water* and *Sharks!* and (the French used this one for their version) *The Teeth of the Sea* and *Swim, Fear the Shark* and on and on.

"Finally I said to my editor, Tom Congdon, that since we couldn't agree on any title we should concentrate on a single word we liked, and the only word we thought was kind of good was *Jaws*. So screw it, said I, we'll call it *Jaws*.

"I ran the title by my family and my agent. Everybody hated it. I didn't think much of it either. But what the hell, nobody buys first novels anyway."

priced overachiever.

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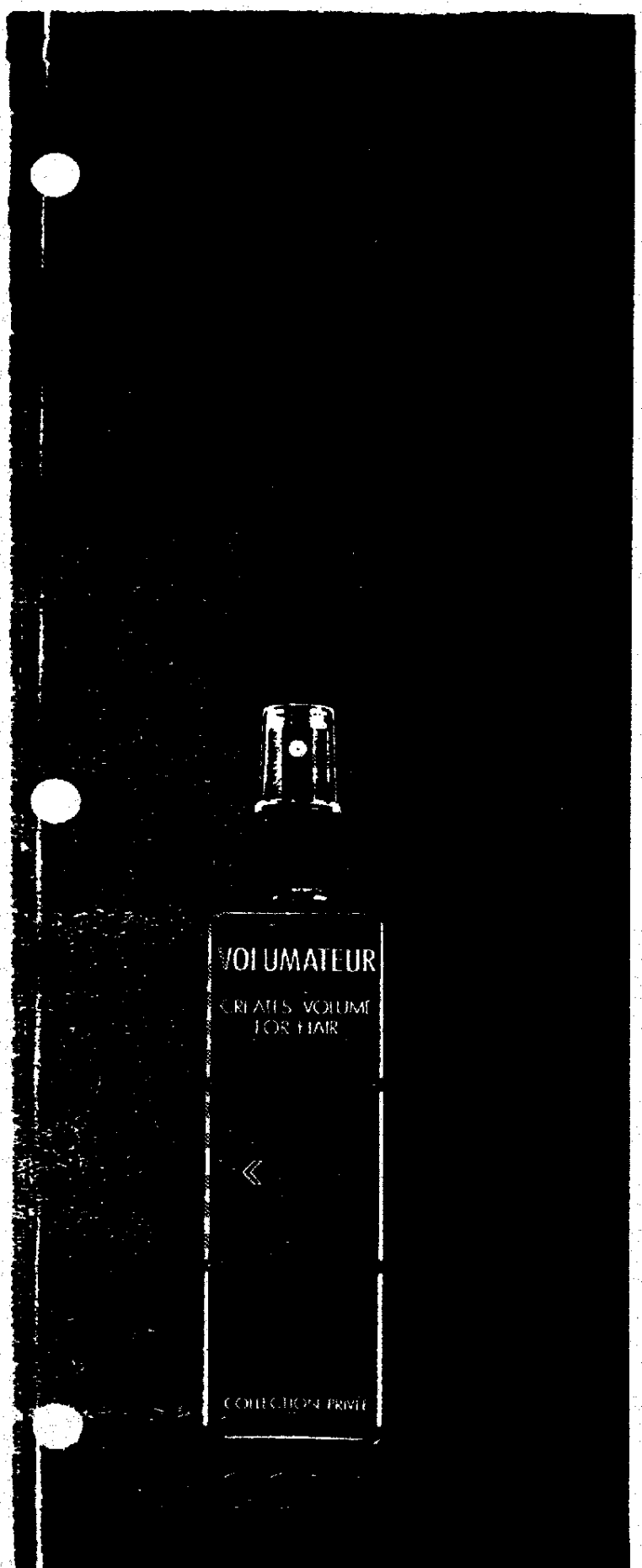

PICKS & PANS

PAGES

Gross draws on material from such cartoonists as Roz Chast, Charles Addams, Gahan Wilson and Mick Stevens and squeezes in a few of his own creations. Much of the book has the tone of Eldon Dedini's drawing of a bunch of gold-chained, sunglasses-wearing guys sitting around, with one saying, "Hollywood has never *dared* to deal with such an explosive subject! Except once in 1947, in '56, and again in '72."

If only there were an Oscar for best example of not taking movies too seriously. (Harper Perennial, paper, $8.95)—*R.N.*

LADY BOSS by Jackie Collins

Make no mistake: This is a truly terrible, terminally trashy book. That does not necessarily mean you shouldn't read it (it beats Robert Fulghum any day). It does not mean you won't enjoy it (it beats anything by Danielle Steel, anything by Krantz any day). While Steel and Krantz seem to believe, quite mistakenly, that theirs is quality fiction, Collins seems to know her books for the vulgarities they are, knows the writing isn't good enough to be called clumsy, knows the characters aren't substantial enough to be called cardboard. But Collins also conveys the sense that she is having a wonderfully good time at it.

Thus it seems churlish not to suspend disbelief, taste and literary standards for these 600 quick-turning pages. The story centers on Lucky Santangelo (readers of the Collins oeuvre will remember her from *Chances* and *Lucky*), the hard-driving daughter of a retired Mafia don. She is married, for the third time, to "good-looking in an edgy offhand way" actor Lennie Golden.

Lennie can't get enough of Lucky's hot little bod, "dangerous black eyes" and tossed-salad curls. For her part, Lucky can't get enough of Lennie's "ocean green eyes" and "tall, lanky body." So what's the problem? Here's the problem: Lennie wants Lucky to have a baby. Lucky wants to have a movie studio.

She longs to purchase Panther Studios, purveyors of such celluloid schlock as *Motherfaker* and *Macho Man*, and turn it into a high-class outfit—less profanity, less exploitation. (Collins seems to miss the irony here. *Lady Boss* is strewn with enough foul

Jackie Collins
Living up to her image as the ultimate trash novelist, right down to the faux leopard-skin jacket

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PICKS & PANS

PAGES

language and offensive scenes to slap with an NC-85 rating.)

It's a complicated transaction. Under the terms set by Panther's eccentric owner Lucky must spend six weeks at the studio disguised as a secretary to learn the ins and outs of the business. There are subplots concerning a feisty Madonna-like actress who's involved with a Donald Trump–like entrepreneur who has a jealous, vengeful guess-who-like wife. The about-to-be-ousted president of Panther Studios, a low-life a movie executive as one could hope to find, has a cop for a mistress and a socially ambitious harridan for a wife.

Collins's style, if that's the word, runs to single-sentence paragraphs: "Lucky Santangelo was a true survivor." "Nothing and nobody stopped her." Five minutes after finishing *Lady Boss*, you won't remember the plot particulars; 10 minutes later, you'll be hard put to remember the names of the characters. It's just as well. (Simon and Schuster, $21.95)—*Joanne Kaufman*

LUCY
by Jamaica Kincaid

For a novel of relative brevity and plain language, this work by the author of *Annie John* is astonishingly astute and deeply affecting.

Lucy was named, by her much maligned mother, for the devil, Lucifer, because she was "a botheration from the moment [she] was conceived." She is a young West Indian woman employed as an au pair by a mid-western American couple. Older, richer and white, her employers, Lewis and Maria, seem at first to have a perfect life; only to

Jamaica Kincaid
An astute heroine, an affecting novel

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Lucian K. Truscott IV
Lusting after the fast, sleek and low of mileage

cynical and world-weary Lucy is not surprised to see it unravel. "I wanted to say this to her: 'Your situation is an everyday thing . . .' Everybody knew that men have no morals, that they do not know how to behave . . . to treat other people. It was why men like laws so much: it was why they had invent such things—they need a guide."

For all her supposed backwardness and youth (she's just 20), Lucy is a keen observer of human nature's contradictions and perversity. "Almost everything I did now was something I had never done before," Lucy thinks, "so the new was no longer thrilling to me unless it reminded me of the past." "Because Peggy and I were now not getting along," she muses about a friend, "we naturally started to talk about finding an apartment in which we would live together."

But it does this book a disservice to say it is merely about odd ways people behave. It is also a story about a young woman's flight from and eventual acceptance of her own family, a tale of sexual awakening and a subtle examination of the meaning of class and race. Like a child's painting, this seemingly simple novel embodies a whole complex world. (Farrar Straus Giroux, $18.95)—*Sara Nelson*

■ **RULES OF THE ROAD**
by Lucian K. Truscott IV

Warning: This is the kind of book in which the hero talks to his car: "Come on baby, talk to me, take me through your paces, ... me through those curves, rock me baby ... urr for me BABY, tell me just one more ... what it is truly like." Like a Tom Cruise macho-epic, *Rules of the Road* operates on the idea that believable characters and plots are less important than exploring the most

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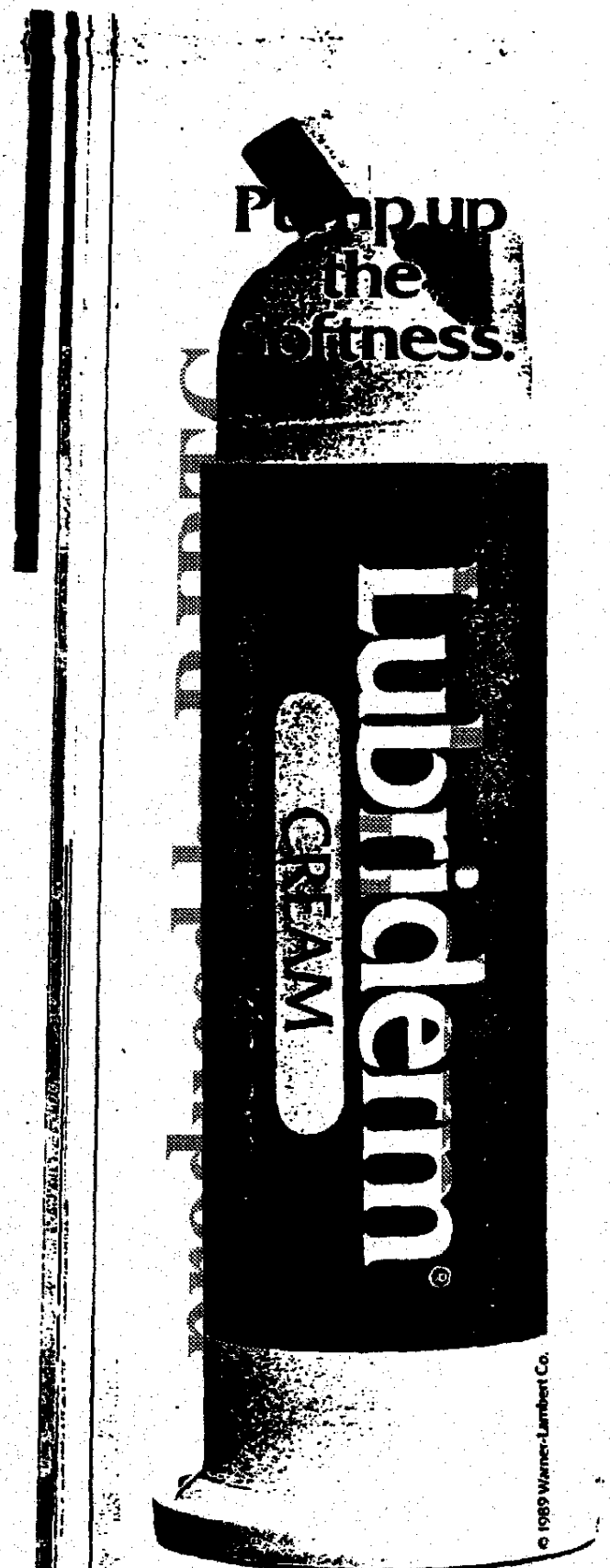

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PICKS & PANS
PAGES

important relationship a man can have.

To be fair, there is more here than simple auto-erotica. In his third novel, Truscott, author of *Dress Gray* and *Army Blue*, has returned to what is, for him, familiar ground: the armed forces. Career Army Major Sam Butterfield, a former amateur race-car driver, has been visiting his widowed mother at her southern Illinois farm. On his way home to the base he witnesses an attack on two men in a parking lot and steps in to save them. In true no-good-deed-goes-unpunished fashion, Butterfield suddenly finds himself dragged (literally) into a sleazy mess of prostitutes, con men, corrupt politicians and pirated videotapes. But when it seems obvious that he can and should extricate himself, Butterfield doesn't desert: He's an Army man, after all. He understands the meaning of loyalty and commitment. (Come to think of it, this is starting to sound even *more* like a Tom Cruise movie.)

If all this seems farfetched—well, these are only the broad outlines. In fact, very little of the story makes sense. (How is it that Butterfield manages to stumble on evidence about the exact same politician who'd been his late father's archenemy? Why would good, honorable, loyal Sam involve his elderly mother in his troubles?)

At the same time, most of the characters are made of cardboard: Johnny Gee, the petty con man who becomes the Major's unlikely partner in fighting crime, wears shiny suits, chain-smokes and says things like "Just pony up the five [dollars]."

This might be forgivable if Truscott presented it with grace. Instead, he writes tentiously: "You could tell she was wearing makeup, but you couldn't tell what she was concealing" or "He was cut off from familiar roadways both physical and moral." Like its hero, this novel is too self-serious to be true. (Carroll & Graf, $18.95)—*S.N.*

■ A LIFE ON THE ROAD
by Charles Kuralt

Wonderfully readable, this memoir by the author of 1985's *On the Road with Charles Kuralt* once again presents the man TV audiences have come to know—shy, folksy, inspired by a love of travel and quirky-centric heroes met along the way.

Kuralt joined CBS in 1957 as a news writer, but soon, at 23, switched to TV. The network's youngest correspondent, he covered the 1960 presidential campaign, interviewed Khrushchev and Che Guevara, braved Lumumba's Congo in 1967, in a battered mobile home, he began the explorations of American backroads and villages that made his reputation. *On the Road* reports, still a feature of *CBS Evening News*, have brought him two Emmys and three Peabody awards.

Kuralt's prose has the same ease as his chat, but this book suffers from windy references. ("I liked . . . La Paz, Bolivia, for the opposite of sophisticated, appealing Andean simplicity.") A ch

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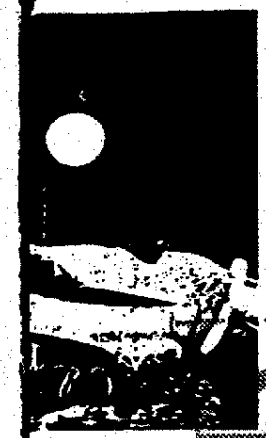

A Life on the Road
Charles Kuralt, clockwise from top left: at his CBS News desk in 1958; inner-tubing on the Apple River in Wisconsin; with a priest identified only as "Father Ron" on Mount McKinley in Alaska; and under sniper fire at Lai Khe, Vietnam, in 1965

'd "What There Is" is overly quaint. (A -married Dakota farmer: "Kissing don't last, but good cooking does.")

Most of this book, however, is Kuralt at his best, celebrating decent, gutsy, obscure people. There is North Carolinian George Black, a brickmaker chosen by the Nixon State Department to teach villagers in poverty-stricken Guyana how to make bricks from mud. Mr. Black's mission was almost canceled when word came that he was 92, but in Guyana, says Kuralt, who accompanied him there, the old man "taught brickmaking with such energy that he exhausted his official hosts, his village pupils and a retinue of U.S. government hirelings."

And there is the doughty Dr. Aseyev, the Russian dentist who bullied CBS News into broadcasting a list he had treasured for more than 40 years of the names of American POWs in Germany who had risked their lives to feed starving Russian prisoners in an adjoining compound.

Though *A Life on the Road* reveals little of Kuralt's private life, he does discuss his youthful marriage, which produced two children. But, he says, "I was drunk with travel . . . indifferent to thoughts of home and family. . . . [We] agreed to separate. We did that by phone, too."

He married again, not long after. "I suppose we haven't spent more than a week at a time together from that day to this." We have all been enriched by Charles Kuralt's life on the road. But it seems to have cost him dear. (Putnam, $19.95)—*Jeff Brown*

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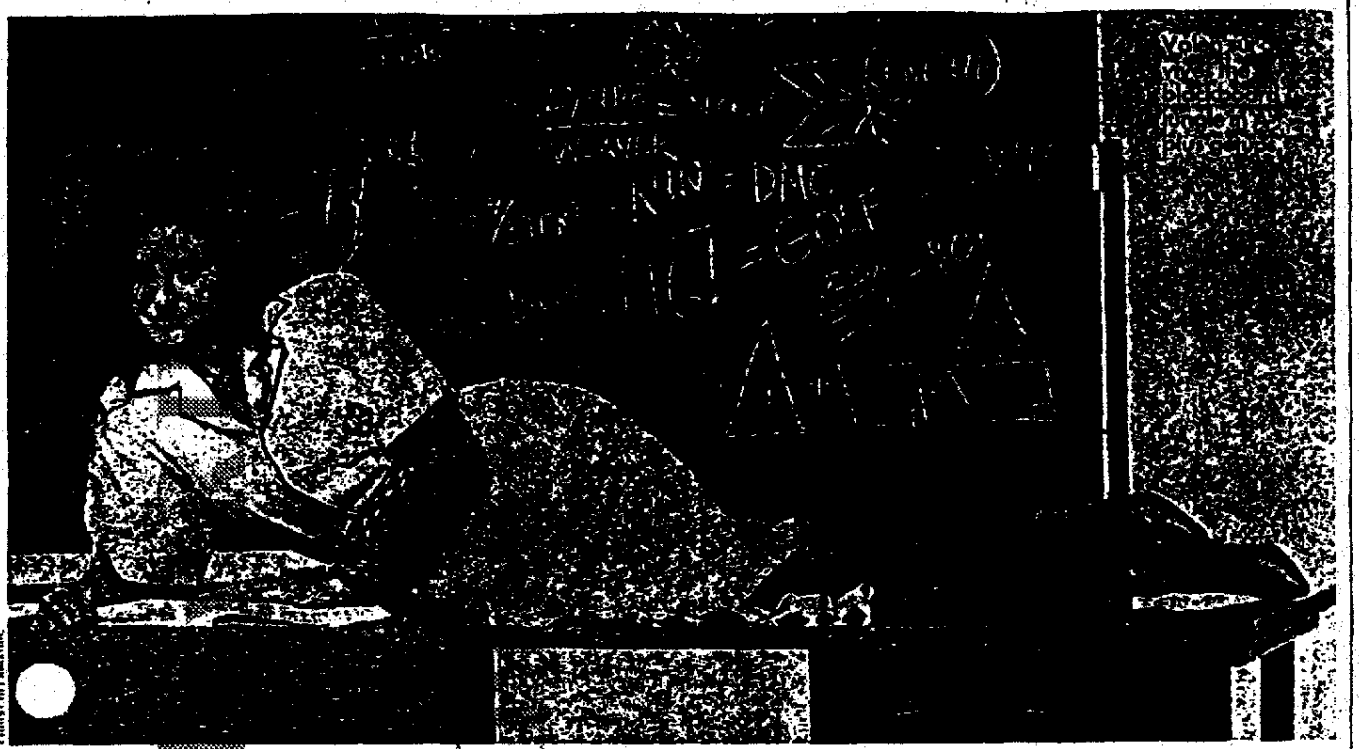
Style Watch

BY ELIZABETH SPORKIN



EVER FRESH

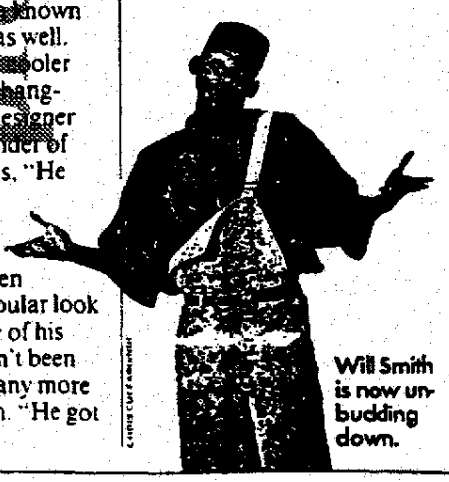
Trend alert! **Will Smith**, who plays the title character on NBC's *Fresh Prince of Bel Air*, is the guy to watch if you like street fashion but want to keep one sneaker in the suburbs. A champion of unbuckled overalls (just one unfastened buckle, of course), Smith has lately been known to unbuckle his belt as well. "He thought it was cooler look to have the belt hanging," says costume designer **Judy Richman**, provider of the clothes, who adds, "He has very good instincts." So listen up, duds dudes: Smith has been saying xnay to a popular look that has become one of his trademarks. "I haven't been able to get him into any more caps," says Richman. "He got tired of them." ❑

HIGH FASHION

And now to answer one question plaguing hyperhormoned high school hunks: Why doesn't your teacher look like the vampy Miss Breedlove, played by **Kelly Valen**, on NBC's *Hull High*? She's not only gorgeous—but check out those clothes! Costume designer **Tom Bronson** spends about $2,000 on two "soft and flowy" outfits for Valen each episode. She wears fashions by **Donna Karan, Giorgio Armani, Ellen Tracy** and others, plus Bronson originals. (And all on a teacher's salary!) ❑

'BURNS ARE HOT

Sideburns are the latest, uh, earmark of celebrity chic sprouting on **Nicolas Cage, Sean Penn** and **John Cusack**. Says **Marc Pipino**, of Manhattan's **Pipino-Buccheri** salon: "They look best with short cuts and should end just above the earlobe." ❑



Will Smith is now unbudding down.

The Grifters: Cusack has 'burns; Anjelica Huston burns.

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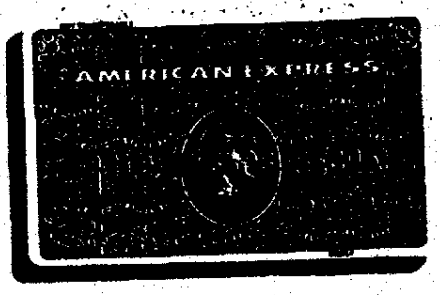

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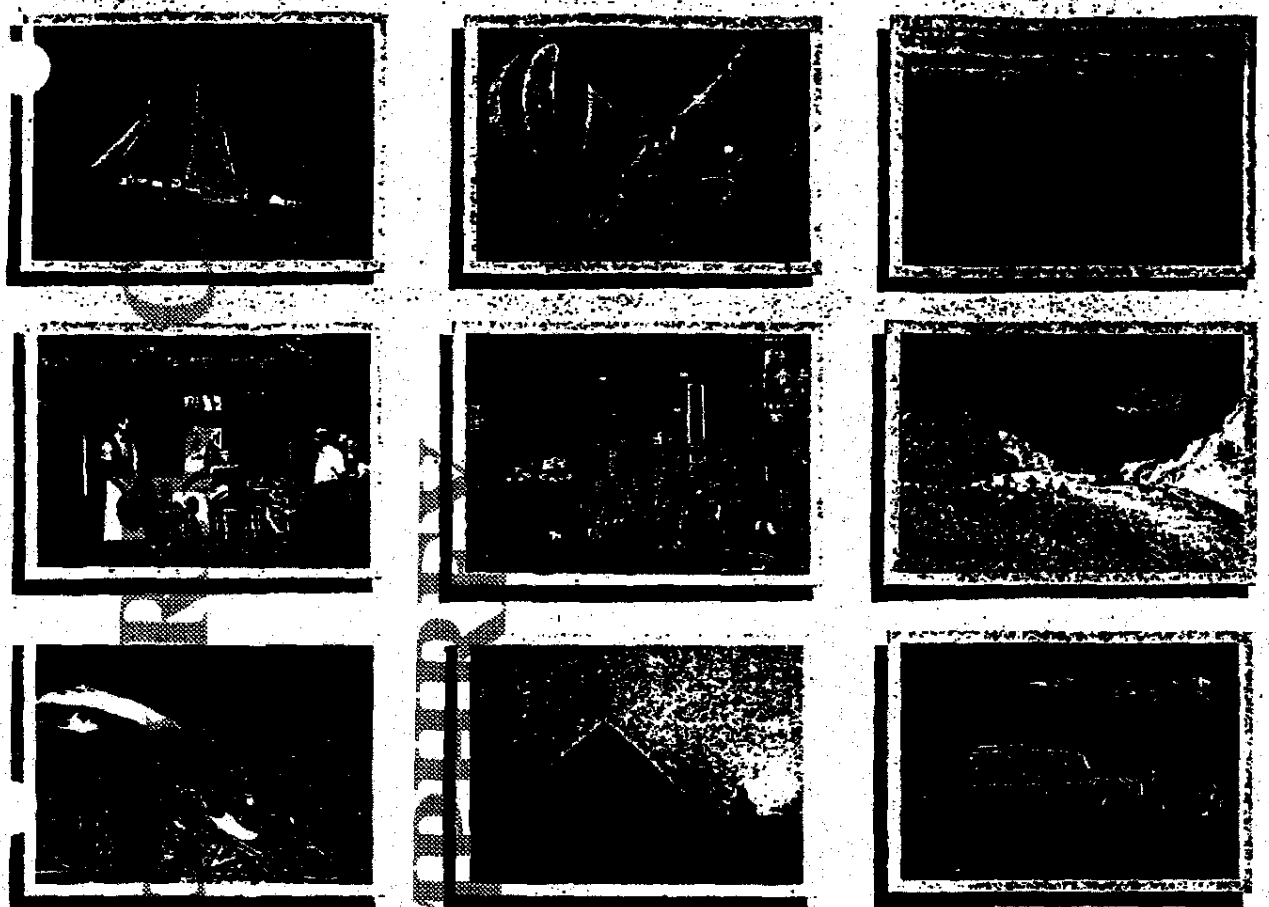

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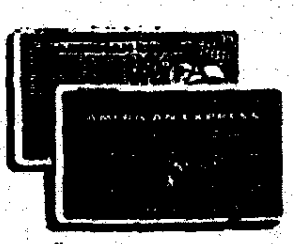

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MARY TYLER MOORE
BERNADETTE PETERS
THE LAST BEST YEAR

In the end
it's all about friendship.

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THE INSIDER

BY MITCHELL FINK

Professional pugilist Tommy Morrison takes Sly direction.

RISKY BUSINESS

If you think the fight scenes in **Sylvester Stallone's** *Rocky V*, due Nov. 16, have been faked, just ask two Hollywood stuntmen who appeared in the film to show you their scars.

Both **Todd Champion**, 29, who now walks around with a titanium plate in his head, and **Steve Santosusso**, 26, who had his jaw broken in two places, claimed in court documents that their injuries were sustained during separate fight sequences in the movie and were inflicted "with malice" by one of Stallone's co-stars, professional fighter **Tommy Morrison.**

The $20 million suit, filed in April, charges Stallone, Morrison, director **John Avildsen** and producers **Robert Chartoff** and **Irwin Winkler** with assault and battery and negligence. According to **James Hanrahan**, attorney for the plaintiffs, the fight sequences involving his clients "were directed by Stallone."

"It is our contention," says Hanrahan, "that Stallone changed what had been previously choreographed so that Morrison could really knock out Champion and Santosusso for added realism."

Stallone says he is "under direction" from MGM attorneys handling the case not to comment.

Those attorneys also refused comment "while the matter is in litigation."

KRYSTLE HAWKS

Add actress **Linda Evans**, 47, to the burgeoning list of celebrities who hawk themselves and their wares via the phenomenon of TV home shopping outlets.

According to Evans's manager, **Michael Greenfield**, the former co-star of *Dynasty* will begin selling her line of "biodegradable clothes and fake furs" on the QVC cable channel this spring.

Greenfield describes the Evans line as "moderately priced ensembles."

The actress will make infrequent appearances on QVC, "maybe four or five times," says Greenfield. "She will be there to talk to people on the phone. It won't be a hard sell."

Now dabbling in the rag trade, eco-minded designer Linda Evans is switching stations. Stay tuned.

PLEASE DON'T ASK

Publicists in New York City promoting the new **Anjelica Huston** movie, *The Grifters*, had only one ground rule for reporters covering the event: *Please*, no questions for Huston on the subject of **Jack Nicholson.**

The attempt to protect Huston, 39, was understandable. Her long romance with Nicholson, 53, seemed to end with the birth of Lorraine, the child he had in April with actress **Rebecca Broussard**, 27.

Despite the warnings, one reporter asked anyway. Huston, who is currently seeing sculptor **Robert Graham**, responded that she was "grateful" for her years with Nicholson, "but now that's in the past," adding, "There may be a misapprehension that Jack in any way thwarted or discouraged my career. This is not true."

Robert Graham squires Anjelica Huston.

— Mitchell Fink

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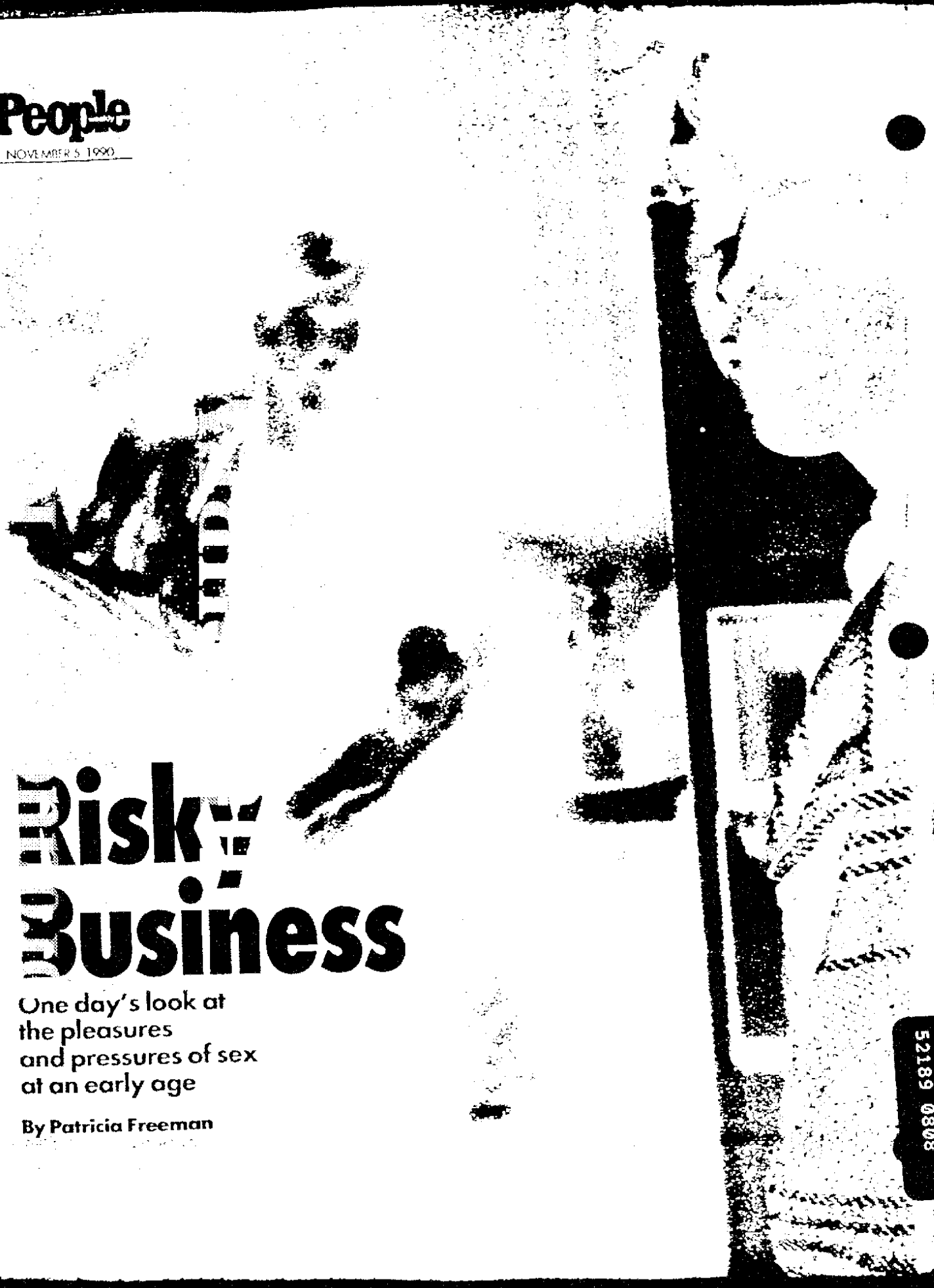

Risky Business

One day's look at the pleasures and pressures of sex at an early age

By Patricia Freeman

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At a Chicago party, a few couples have repaired to the bedroom to "fool around," as the kids at this suburban celebration put it, but Ethan Steinberg and Casey Benjamin, both 16, are content to cuddle.

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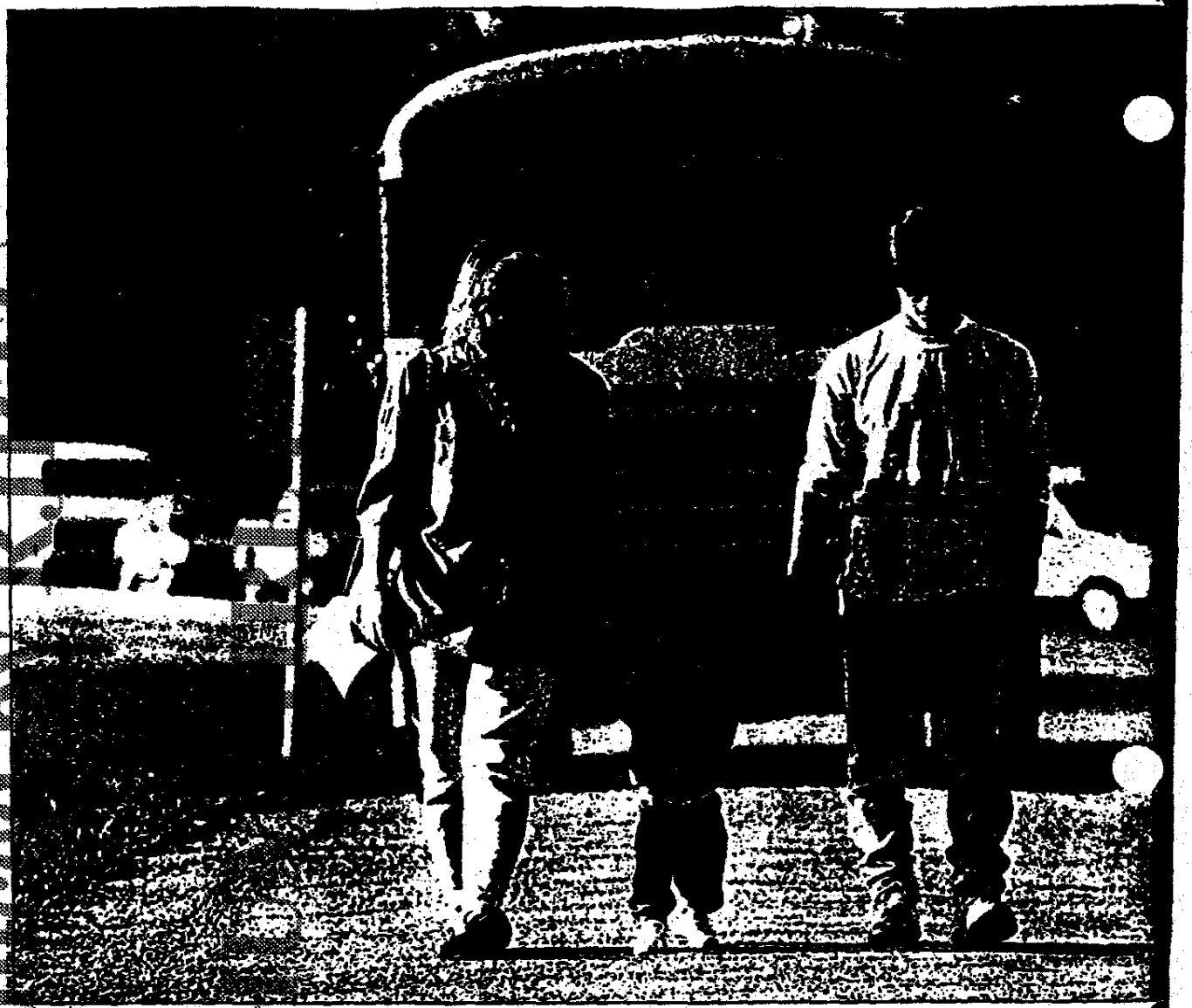

If you have no access to the secret world of adolescence, you might imagine that AIDS, unwanted pregnancy and sexually transmitted diseases are propelling American teenagers toward a new era of sexual caution. Think again. For the generation now on the verge of adulthood, the trends are alarming. Eight years ago, according to the National Survey of Family Growth, only 19 percent of girls under the age of 15 were sexually experienced; today that number is nearly 50 percent higher, and some seven of 10 teenagers have had sex by age 18. Five years ago the teenage birth rate was declining; now 9 percent of American girls become mothers before turning 18, and another 9 percent have abortions. The Centers for Disease Control report that one in four sexually active teens will contract a venereal disease before finishing high school.

In some respects, of course, not much has changed: For many teenagers, that first kiss, the first crush, those first gropings toward mature sexuality are still intoxicating. And for some, sex is less a treacherous reality than a thwarted ambition. But for everyone who will come of age in the '90s, the confusing process of growing up is more perilous than ever. In the conviction that one person's story is worth a thousand statistical studies, PEOPLE last month sent our reporters to spend 24 hours with teenagers all over America. From dawn to dawn on Sept. 14, we talked to dozens of young men and women—teenage mothers and restless virgins, kids eager for experience and those who have found more than they bargained for—about the daily realities of their sex lives. Here are their stories—of hope, bravado, wisdom and foolishness, and the thrill of self-discovery.

Friday, 6 A.M. Houston. Daybreak is an hour away, but 15-year-old Christ Pollard has been up for an hour. Ever weekday it is the same: At 5:15 she tip through the darkened house to the ba room, past the silent bedrooms of he ents and her 13-year-old brother, Ke At 6, she awakens her 10-month-old Jonathan. At 6:40 the bus comes to t them to Wunsche High School, wher Jonathan stays at an on-campus day center and Christy, a ninth grac her first class of the day.

This morning they have a visitor: The baby's father, Johnny Rivera, 18

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▲ "Most of my friends feel guilty after they have sex, but they keep right on doing it," says Shelley Kelly, 17, left, with her mother, Jane, on their Elizabethville, Ind., family farm. "I don't think they're having much fun."

◀ Christy Pollard, 15, says motherhood has improved her life. "I used to be real bad," says Christy, at the bus stop outside her Houston home with her 10-month-old son, Jonathan, and his father, Johnny Rivera, 18. "I did drugs and made C's and D's at school. Now I make all A's and B's."

▲ Before he went public with his sexual orientation, Henry Diaz didn't know any homosexual teenagers; he spent lonely evenings telephoning gay party lines. "There aren't many gay youth that have 'come out' like me," says Henry, 17, with friend Alan Klein, right, in New York City.

has spent the night in Christy's waterbed. Johnny, an unemployed high school dropout, insists he loves Christy and wants to marry her—but not yet. "I want to know her better," he says. Though he sees his son daily and baby-sits often, he explains that he didn't want to become a father when Christy got pregnant in the seventh grade. "I gave her some money and told her she could get an abortion," he says. "But when we told our parents, they said, 'Don't do that.' So we didn't."

Christy's father, J.T., and her mother, Jo Ann, believe the pregnancy may have been for the best. "We didn't want her to have a baby," says Jo Ann, a hostess at a hamburger restaurant. "But if I had to choose, it's better this way than when she used to run away from home. She started running away when she was 12, and when she was 13 she almost died of a drug overdose. We were very fortunate."

At Wunsche, Christy and the other young mothers in her parenting class have been assigned to make a video showing their peers how dramatically pregnancy can alter their lives. But Christy has little time for such concerns: After school she will spend an hour with her baby, hurry off to her night job at a fast-food restaurant, then fall into bed at midnight. Johnny is sanguine about the schedule his child's mother keeps. "She's a strong girl," he says as she rushes out with her textbooks and diaper bag. "She's a tough girl."

7 A.M. Berkeley, Calif. "We were watching cartoons, then we went to his bedroom," says Xochitl Rios, recalling her first sexual experience, at age 12. "I knew

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it was going to happen. We were kissing on the bed, and he went to get a rubber. I wasn't scared. I was excited, 'cause it was him. Afterwards, I walked out of the house with a big grin: I f----- Jonathan."

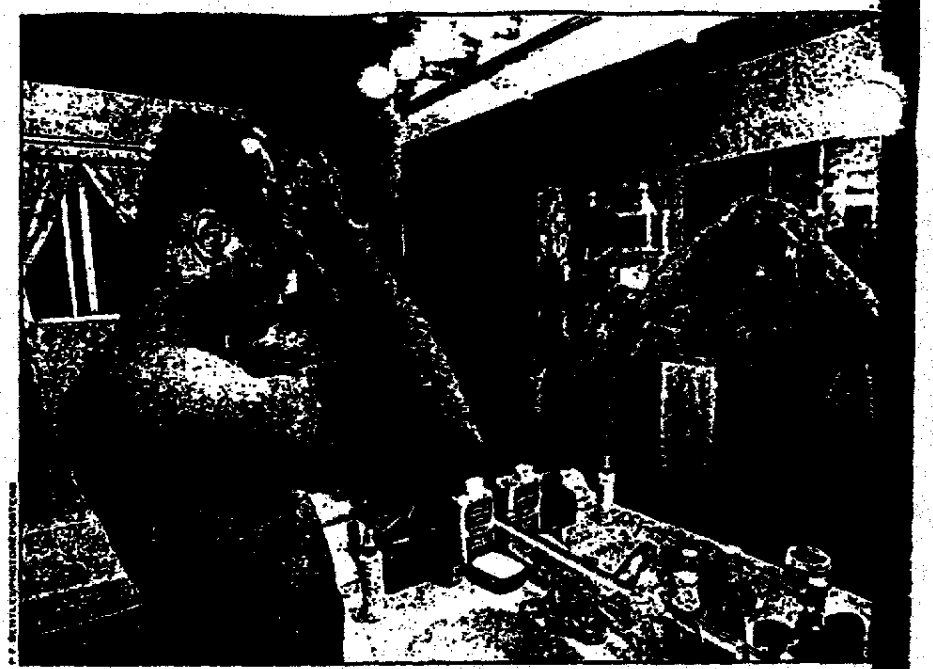
The conquest, along with several others, is recorded in a notebook that Xochitl, 13, keeps in a cabinet by the bed she shares with a teddy bear named Strandi. Names and dates are listed in round, girlish handwriting: *6-26-90: "G." Sex on living room floor with a blue rubber. 10-31-89: "A." Behind a church. 4-28-89: "J." Rode him like a horse. I was drunk.* There are eight boys in all. One gave her chlamydia, a venereal disease that, untreated, could lead to sterility. Another beat her up when she told him to get checked for the disease. None of them took her anywhere but a fast-food restaurant. Xochitl keeps the list because, she says, "I like to remember." Since mid-summer she has been celibate. "I'm trying to get good grades so I can go to college," she says.

Xochitl's mother, Joanna Uribe de Mena, considers herself partly to blame for her daughter's adventuring. "I kept blinders on," says the 43-year-old health planner who enrolled Xochitl in a Catholic girls school this year, cut down on "temptations." Tonight Xochitl will announce that she is going to a Catholic boys school dance; instead she will search the campus of the University of California for a party. "The world is different today than it was," the unsuspecting Joanna will say with a sigh before she bids her daughter goodbye. "No place is safe. You take chances when you let your kids out the door."

8:15 A.M. Modesto, Calif. [illegible] st time at Tera Torres's house is enough to convince even cynics that this town is still the innocent place it seemed to be in *American Graffiti*. It isn't, of course: Tera estimates that about 90 percent of her friends at Modesto High are sexually active. But then, they aren't lucky enough to be going steady with Tony Goulart. "Tony's not like the other guys I know, who always want to have sex," Tera says proudly.

Tera and Tony, both 17-year-old seniors, have been together for most of four years—long enough so that having sex would never earn them what's known around here as "a bad reputation." But Tony, the oldest son of Catholic parents, would not dream of having what Mrs. Torres calls "relations" with Tera. "I might lose respect for her," he says.

For now, romantic rituals of their own devising fill Tony and Tera's days and nights. This morning, as usual, Tony



▲ "Sex isn't about love any more," says Dia Carter, left, with pal Ken Bryant, prepping for a double date. "There's such peer pressure to do it."

◀ "Premarital s is fine, if you're responsible," says Lesley Young, with boy friend Gene Lee both 17, outside their high schoo

▶ Tony Goulart checks girlfriend Tera Torres's at fire and deems too revealing. "He's sweet," says Tera, "but he's possessive

◀ Xochitl Rios, with friend Gre Theriot, 14, slee with eight b junior high. young," she sa "but I feel old."

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parks near Tera's house, knocks on the door and drives her to school, two blocks away. This evening there will be the weekly football game. (Tony is a fullback, Tera is a cheerleader; he thinks her uniform is too short.) And tonight, Tera, in purple satin pajamas and hair ribbon, will be waiting for Tony to tuck her in to bed, as he does most nights. She will sigh as he kisses her goodnight, then ask him, "Will you call me?" "Sure," he will say, and then leave her there, smiling, in the dark.

9 A.M. Middlesex Superior Courthouse, Cambridge. The court system calls her Mary Moe, the name the Commonwealth of Massachusetts uses to protect the privacy of all minors seeking judicial approval for an abortion without parental consent. She is only 13, but this will be the second pregnancy she has terminated. The first time, when she was 11, her mother signed a permission form. This time, she says, she cannot bring home the form because her mother would "kill" her.

With the help of volunteer attorney Laura Stewart, referred to the case by Planned Parenthood, the girl's petition is approved in minutes. (Her abortion was scheduled for the next morning.) Afterwards, Mary Moe concedes that she never used birth control with her 15-year-old boyfriend, who suggested she keep the baby. "I thought I would never get pregnant again," she says with a shrug. Most of Stewart's young clients share such illusions of invulnerability. "They think nothing can happen to them," Stewart says. "A teenager is hormones with feet."

11:45 A.M. Berkeley. Ian Hincen has some extra cash today, so he is treating himself to lunch at Lox, Stock & Bagel. Near the salad bar, some girls are giggling, and a couple of jocks with tree-trunk necks are discussing the upcoming game. Ian is sitting alone with a copy of *The Scarlet Letter*. Sex isn't on his schedule—only on his reading list.

Not that Ian, the 15-year-old son of Guyanese immigrants, isn't interested in sex. "I think of it about five times a day," he says. "I might even start thinking of girls in class. That's why I don't get up to sharpen my pencil." But though the flesh may be willing, the spirit is meek. "I have an insecurity thing," explains Ian, who once spent four hours just gathering the courage to ask a girl to dance. He also believes that sex should be meaningful. "It should be shared by two people who love each other," he says, "even though my fantasies drift away from that point."

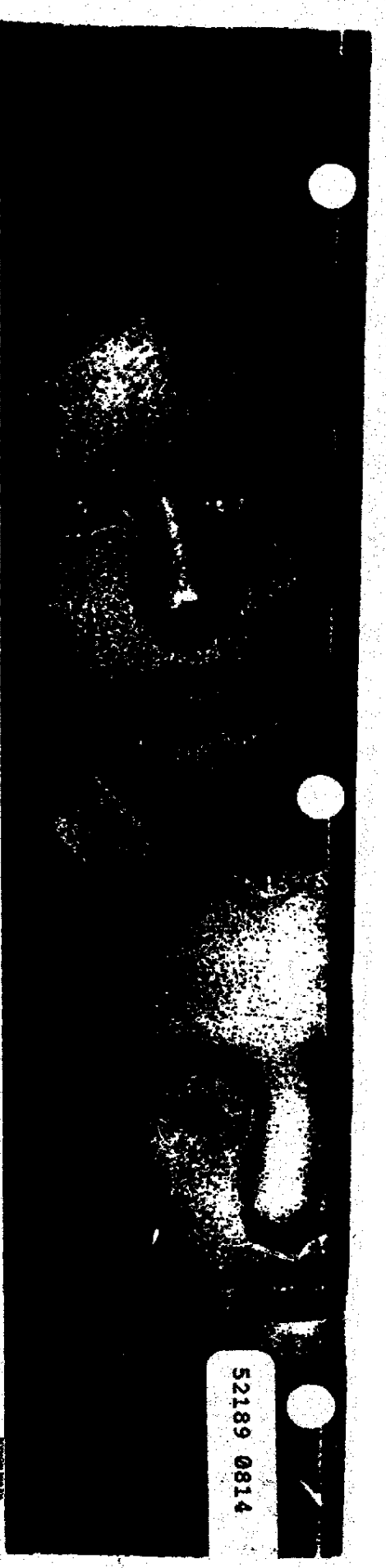
For the moment, Ian's passions are confined to cartoon superheroes. Tonight, as on most Fridays, he will sprawl across his bed and pore over copies of *Spiderman* and *The New Mutants*. He might think about inviting a girl to the prom—a daydream he half hopes will never come true. "The concept of asking somebody out scares me out of my wits," he says. "If she said yes, I'd be in deep trouble. I'd be the boy who had a heart attack in the middle of the gym."

3 P.M. New York City. "In fifth grade my friends would talk about 'faggots,' " says Henry Diaz, a 17-year-old drama student at Fiorello La Guardia High School of Music, Art and Performing Arts. "When I learned what a 'faggot' was, and all those characteristics matched mine, I tried to deny it. But by seventh grade I was being called 'faggot.' One night I thought of slitting my wrists."

It has been four months since Henry "came out" by signing a pamphlet that was distributed on the La Guardia campus by a gay and lesbian activist group called Queer Nation. For him it was a moment of relief. But for his ex-girlfriend Karen Marder—the girl Henry dated during his final months of confusion "so people would say, 'This guy isn't really gay' "—it was a shock. "I felt so used," says Karen, 15. "And it kind of gave me a bad reputation. The guys were like, 'Oh, you probably turned him gay.' " The one consolation is that Karen, who still cherishes Henry as a close friend, finally understood his lack of sexual interest in her. "I mean, I wore my sluttiest outfits for him!" she says. "I had the other guys drooling, but he wasn't paying attention."

Tonight, Henry will go to a party and amateur drag show in a stuffy, cramped downtown apartment, checking the crowd for "cute guys." He will not go home with any of them. The threat of AIDS makes promiscuity dangerous, but Henry is more concerned about the kind of emotional damage he suffered after a one-night stand with a handsome stranger who never called him again. Now he is looking for a permanent partner, one who might someday adopt and raise children with him. "I want somebody to love," he says. "Somebody to share my life with."

4 P.M. Pacific Palisades, Calif. Gene Lee and Lesley Young consider themselves an anachronism at Pacific Palisades High, a low building overlooking the ocean in this southern California community of $500,000 bungalows. Gene and Lesley are a couple—by all appearances, the only



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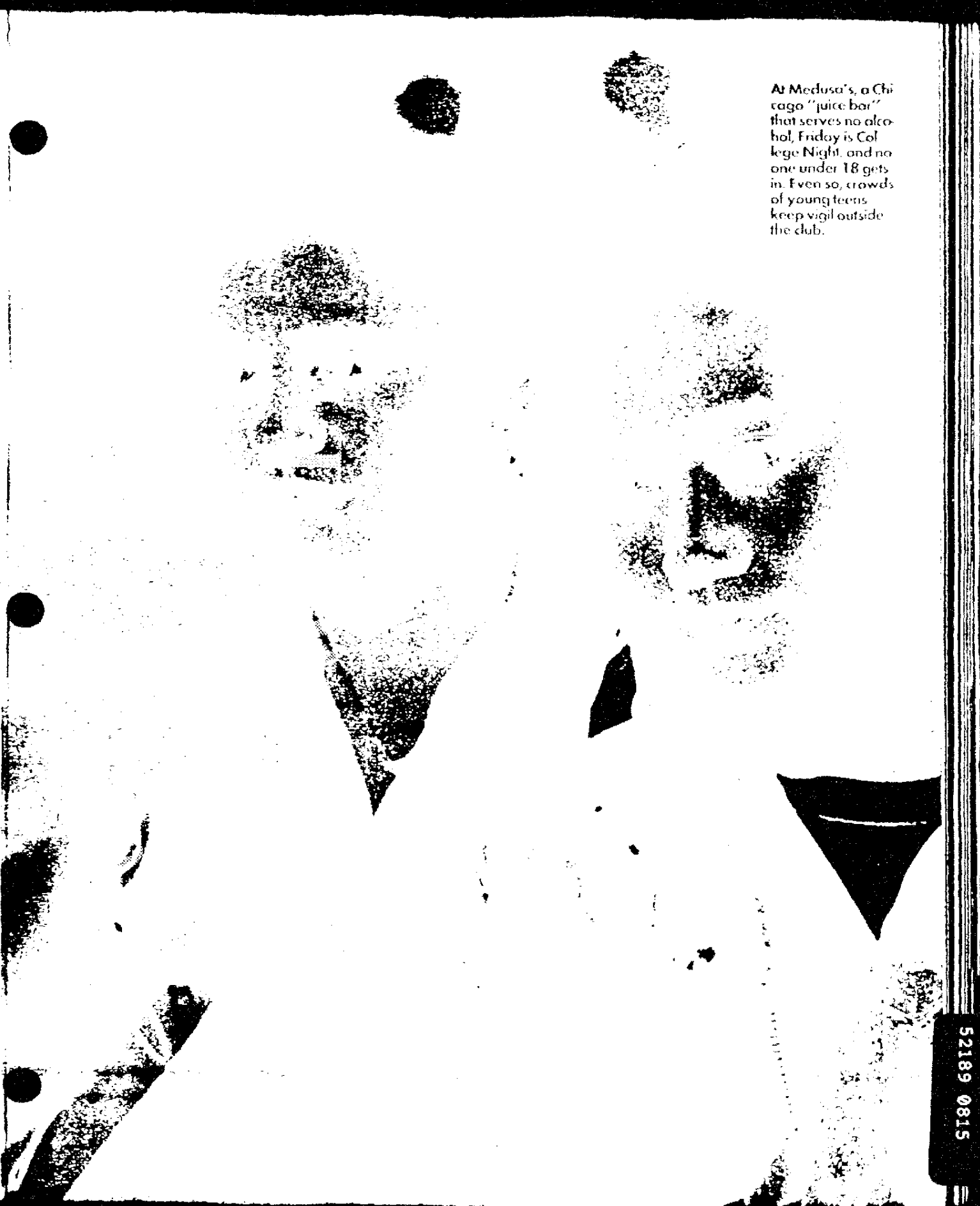

At Medusa's, a Chicago "juice bar" that serves no alcohol, Friday is College Night, and no one under 18 gets in. Even so, crowds of young teens keep vigil outside the club.

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Dedicated by RJR Nabisco

▶ "My mother said I never was the kind of child to stay at home, and she'd rather I get married than run the streets," says Benita Johnson, 17, in a Houston hospital with her newborn son, Charles. "I realize now how much I've missed out on."

▼ At the alternative Harmony school in Bloomington, Ind., a class in human sexuality begins with a group of 14-year-olds blowing up condoms like balloons and writing safe-sex messages on them. "It breaks the ice," says teacher Ursula Hastings-Hentz.

couple at this afternoon's pep rally, which they are attending because Gene plays offensive tackle for the Palisades Dolphins.

Both 17-year-old seniors at Pali, Gene and Lesley have an active sex life and faithfully use birth control. As first-generation Asian-Americans, they are acutely aware of the chasm that separates their own adolescent experience from that of their parents. Lesley, the firstborn child of a Japanese mother and a Chinese father, complains that her parents' attitudes about sex have made her life miserable. "My mother didn't get married until she was 28, and I'm sure she was a virgin," she says, rolling her eyes. "She won't let me close my bedroom door when Gene is there. She thinks I have no morals." Gene's Korean parents accept his sex life but think their son sees too much his girlfriend. "They believe you study, study, study, get your job, then get marr and have kids," Gene says. "They push to marry a Korean woman, but I tell the I'll marry who I want, whether it's white, black, Chinese, Japanese."

After the game, Lesley and Gene will to a party at a friend's house, where the will duck into an empty bedroom for a half hour, then leave early: Gene has a 10 P.M. curfew because he came home stoned on marijuana one night. I have nothing to do but pout and the trials of teenage love. "Sometimes don't think Gene stands up to his pare enough," she says. "But then sometim think I stand up too much to mine."

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▼ "There has to be a physical attraction in a relationship from the start, or it doesn't work," says Meadow Sisto, 17, eating dinner with boyfriend Mike McPharlin, 16, in a Chicago hamburger restaurant.

6 P.M. Elletsville, Ind. Dinner is over, and Shelley Kelley is getting ready to go "cruising and scoping," the main weekend recreation for teenagers in this community set amid rolling cornfields. Roughly translated, that means getting into a car with some friends and driving a 10-block strip that nearly every other kid in town is driving, or it means hanging out in the parking lot of Rac 'N' Cue Family Billiards in nearby Bloomington. For Shelley, 17, it is a form of window shopping: she will not sleep with any of the boys she sees. "To me, sex is a very personal, private thing, not a weekend thing," she says.

That sets her apart from her friends, all of whom are having sex, she says, and many of whom are pregnant. But what really makes Shelley different is that she has talked to her mother, Jane, about sex. When Shelley's first boyfriend deserted her after they slept together, Jane was among the first she told. "I figured she was going to be exposed to sex no matter what I did, so I'd better be honest with her," says Jane, 41, a janitor and part-time sociology student at Indiana University.

Jane concedes that such frankness makes her a little uncomfortable. "But," she says, "I'd rather have it this way than the way I was brought up. I was ignorant." Too timid to join the sexual revolution when she was a teenager, Jane wonders these days whether her contemporaries were as liberated as they seemed. "They weren't talking to their parents in the '60s," she says, "and now they're not talking to their children."

9 P.M. Quincy, Fla. In this city of tobacco farms on the outskirts of Tallahassee, a star football player can get as many girls as he likes. But as tonight's postgame crowd gathers in the parking lot of Kelly's Jr. 24 Hour Deli, Eric Brown, star tackle for the Shanks High Tigers, isn't looking for action. For the past year he has been dating 17-year-old Clinita Kennedy, who was a virgin until she finally consented to sleep with him last May.

Eric concedes that his forbearance—eight months between attraction and consummation—is unusual by the standards of his friends at Shanks, a small rural school with a mostly black population and a pregnancy rate so high that a health clinic providing birth control has been established across from the school. "A lot of guys say they won't waste more than three weeks with a girl—if she won't have sex, they drop her," Eric says. "I waited for mine, and I didn't push her, because I don't think I'd like it if she did that to me."

As Eric and Clinita have discovered, in some ways monogamy can be as troubling as promiscuity. "I worry about whether we should be doing it," says Eric. "Sometimes she makes me feel like she wishes we would have waited." Clinita, sitting next to him on the car hood, cannot give him much reassurance. "Nothing really makes me think it's okay to do it," she says. "It just happens." All of Eric's whispered tenderness cannot dispel her feeling that true love will falter when both go off to col-

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lege next year. "He's going to be a football player," she says gloomily. "All they do is chase after girls."

Evening. San Francisco. Diaz Carter and Kenny Bryant are standing in front of the bathroom mirror in their bikini briefs. "OKAY, ACTIVATE!" they yell in unison, dancing around the room as they massage curl-activator into their hair. After 20 minutes of coiffing their quarter-inch flattops, Diaz, 15, remembers the finishing touch. "Hey, Ken, where's the spray?" he asks his 17-year-old friend. "If the ladies touch this 'fro, they're gonna mess it up." Hair sprayed, they dress, putting on long black overcoats and picking up the telephone beepers they carry so that girls will be able to reach them at any hour of the day or night. "I brought the whole bottle of cologne," says Diaz, pouring some onto his jacket. "Gotta know what the lady likes, right, Kenny?"

The plan for tonight is a double date, and Kenny and Diaz have already prepared for action with a training meal at their favorite restaurant, McDonald's. It is an institution for which they have great respect. Their transportation is the "Mac Mobile," otherwise known as Kenny's burgundy Ford Tempo four-door, their favorite pastime is Mac-ing (which means gassing a girl on and on and on). "The ladies will page us at about 10:30," says Kenny. "Then there'll be some serious Mac-ing, you'll see."

Kenny, who learned all he knows about sex from his brother, a Baptist minister, intends to remain a virgin until he meets the right girl. Diaz, who has had sex with three different girls in the past two years, likes Mac-ing as much as the next guy, but wouldn't mind if things went further. There are no moral quandaries to be sorted out yet, however, as the "ladies" have not paged. After gassing up the Mac Mobile, Kenny and Diaz decide to try their luck at a couple of school dances. The first is empty. The second is swarming with police. Kenny and Diaz ride around in silence until they find themselves parked down the street from their dates' house. It is nearly midnight, and they have driven more than 30 miles.

"Wonder what the ladies are doing, but we'll wait it out," mutters Kenny as he starts the car and drives toward the nearest Golden Arches. "Need a Mac before they call."

Saturday, 2:45 A.M. New York City. If this were a weekday morning at 8:30, 17-year-old Billy Erwin might pass for a high school student on his way to class. But it is the pitch-black end of a rainy night, and Billy's knapsack contains not books but the tools of his trade: condoms, lubricating jelly, handcuffs, antiseptic spray, a pornographic video tape, a pair of black jockstraps, a can of Mace. "It's fun getting paid for screwin'," he says with a grin, "but you got to be prepared."

As Billy tells it, he had plans to be an aerospace engineer until his parents died seven years ago and one of his numerous foster mothers sexually abused him. Whatever the case, he found himself a teenage runaway living in the Hell's Kitchen section of Manhattan. At 15, he says, he was working as a Christmas elf in a posh department store when a well-heeled man asked him if he'd like to make some good money fast. In one night, Billy earned a crisp new $100 bill.

▲ Prostitute Billy Erwin, 17, works the late-night New York City streets, where his fellow hustlers are as young as 13.

These days, Billy gets most of his clients by referral; he says he can get $150 for a single man or woman, $200 for couples. But on nights like tonight, when his affluent regulars are at their weekend homes, he resorts to roadside hustling, which brings him $75 for 20 minutes in the back seat of a car. Most of his customers are "chicken hawks"—older, usually married men who drive along the New York City waterfront looking for young boys. Billy always uses a condom—one of his clients died of AIDS last year—and is cautious about which cars he gets into. "Last week a guy was found right here with his throat slit open," he says.

Business is slow tonight. Billy positions himself in the middle of the street, grabbing his crotch to catch the attention of passing drivers. At last a station wagon slows down, the gray-haired driver craning his neck. On its third trip around the block, the car stops, and the driver asks Billy, "Want to go for a ride?"

Billy works until 5 A.M. But it isn't work for him—or so he insists over breakfast at a downtown diner. "It's extra cool to have these older people under my control while I'm doing them," he says. And a 17-year-old is a marketable commodity in a society where sex and youth are sold as a package deal. "You'd be surprised," says Billy, "how many people out there want a little boy like me to play with."

Saturday. Dawn. Ben Taub Charity Hospital, Houston. Benita Johnson, 17, can finally sleep. It is a sweet relief after what she has endured: five days of labor so painful that this morning she became hysterical, pulling at the IV lines in her arm as a crowd of orderlies restrained her. When her second baby, Charles Edward, finally struggled free of her body, only her mother was there to see him. There has been no visit from Benita's 22-year-old husband, Isom, the man she married when she was a 15-year-old ninth grader and separated from three weeks ago.

There are things a woman learns when she has a child—the ferocity of suffering, the limitlessness of endurance, the importance of unfounded hope. But Benita, whose firstborn child, Isom Jr., is 23 months old now, wonders as she lies in her hospital bed whether she has learned too much too soon. "If I had it to do over," she says, "I wouldn't."

To discourage other girls from getting pregnant, she has consented to be photographed. "Let them see how they're going look when they have a baby," she says. "Their hair gonna be torn out from screaming, and their makeup gonna be washed off with their tears and sweat. They gonna leave looking like a ragged old stuffed dog."

But the pain of childbirth fades with the approach of dawn. When little Charles Edward is brought in for his 6 A.M. feeding, Benita smiles. She cannot help herself: Once again, she is falling in love.

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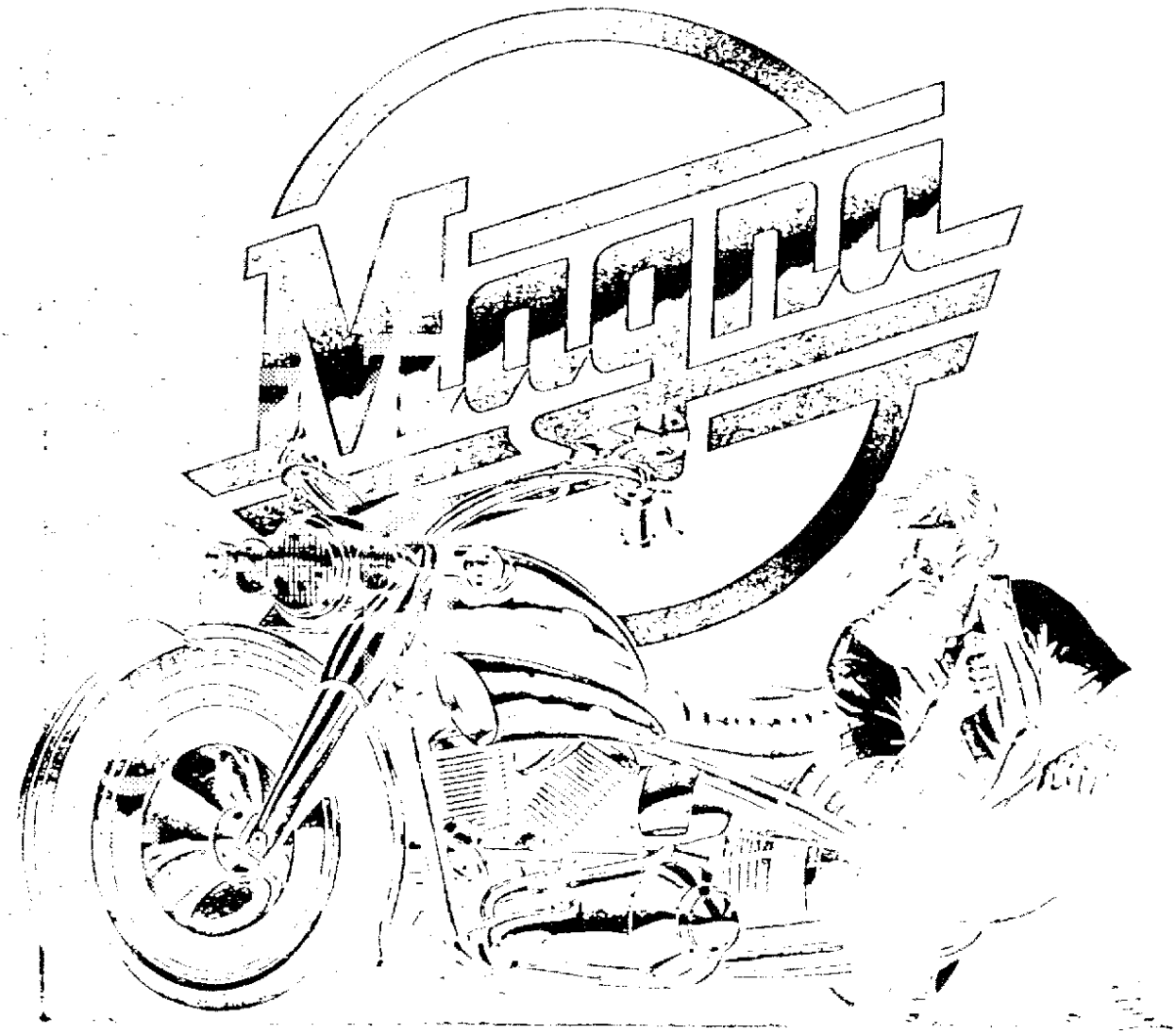

15 mg "Tar", 1.0 mg nicotine av. per cigarette by FTC method

Magna

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SURGEON GENERAL'S WARNING: Smoking By Pregnant Women May Result in Fetal Injury, Premature Birth, And Low Birth Weight.

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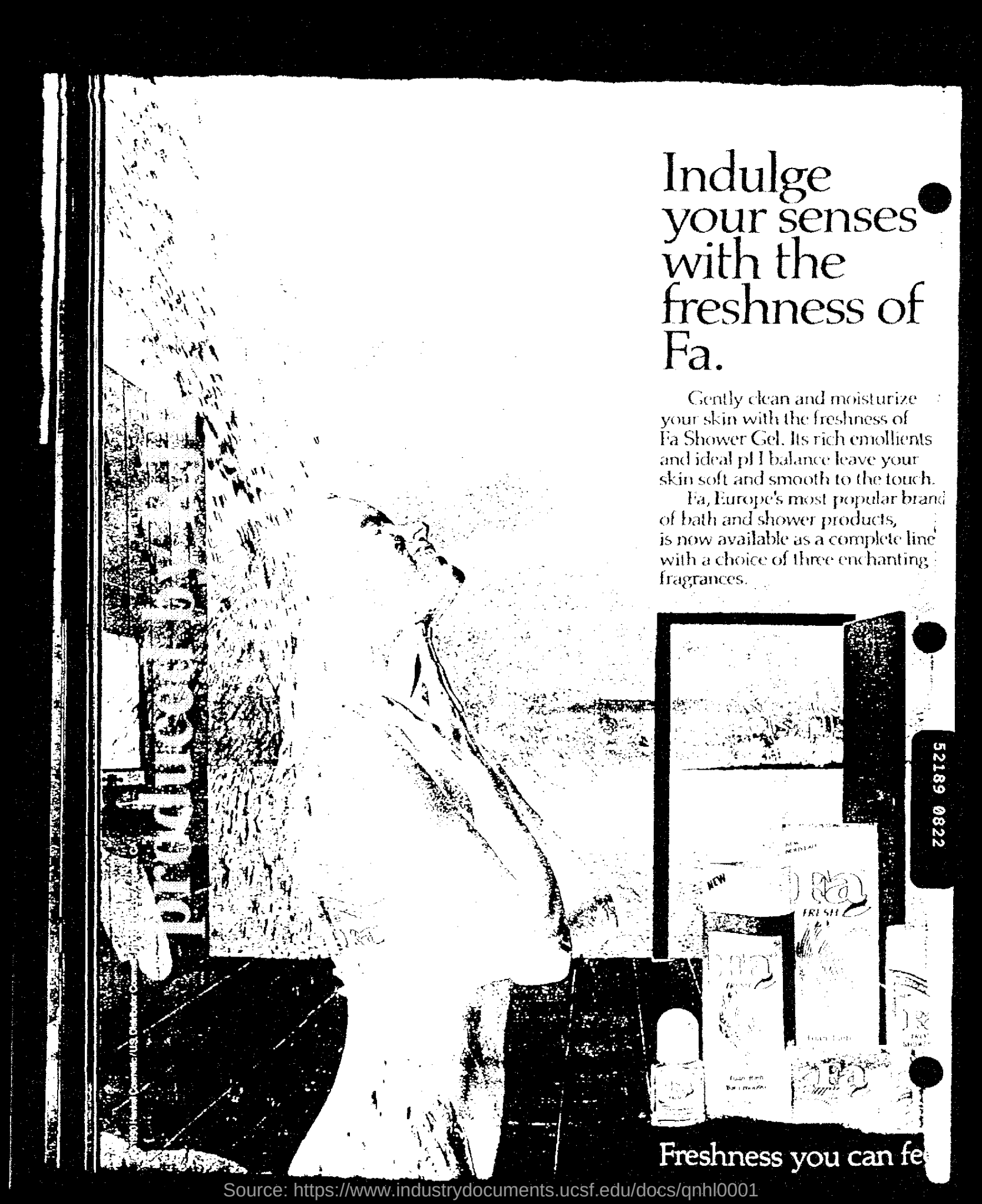

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MOVE

IN A PITCH FOR FITNESS, JANE FONDA TAKES A TURN (AND A TURNER) AROUND THE KREMLIN

Said a Moscow secretary of Fonda, who took a 20-minute jog around the Kremlin: "She has a great image—and looks great."

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MOVE

Talk about an entry in the My, How Times Change Department: It was in 1963 while on a visit to Moscow that a young starlet named Jane Fonda first witnessed its traditional tank-and-armament-laden May Day parade. Twenty-seven years later Fonda, 52, was in Red Square again—this time promoting fitness by leading an army of post–Cold War Muscovites in the battle against flab.

In fact Fonda's appearance Oct. 18 was only half of a well-publicized capitalist assault. While she, accompanied by a Red Army band version of "Stars and Stripes Forever!" herded some 700 huffing and puffing female locals on a 1.5-mile goodwill jog around the Kremlin, her fellow traveler, media mogul Ted Turner, 51, maintained an agenda of his own—presiding over the Soviet premiere of *Gone with the Wind,* part of the vast film archive he acquired with his 1986 purchase of MGM.

In truth America's latest power couple are hardly strangers to the Soviets. Fonda's workout videos, which recently aired on Soviet television, already do a brisk black market business, selling for 100 rubles ($160) each, or more than half of the average Soviet monthly salary. And Turner, who admitted recently that Fonda's influence made him drop 18 lbs., is a veteran of repeated trips to the Soviet Union—including his launch of the Goodwill Games in 1986. "Now," proclaimed the national daily *Sovetski Sport,* "he is one of the most dedicated friends of our country in the United States."

Following Thursday's Fonda fun run came Turner's Friday premiere: Throngs of Soviets in furs and finery crowded the 2,500-seat Oktyabr Theater for a subtitled version of Scarlett and Rhettski. Promoters peddled Scarlett perfume in the lobby. VIPs hunkered inside the theater with champagne and caviar. Moviegoers anted up 15 rubles ($25) apiece for scarce tickets with proceeds earmarked for a Soviet anti-AIDS campaign. "The spirit of Scarlett O'Hara is what the Russian people need right now," Turner told the postperestroika crowd. "They have to do like she did [and say], 'With God as my witness, I'll never be hungry again.' "

One Muscovite who missed the race but got a chance to see Fonda and Turner up close and personal. New Nobel laureate Mikhail Gorbachev welcomed the star pair in his Kremlin office and grinned broadly, particularly at Fonda. Perhaps he hadn't heard her politically correct statement to Soviet women the day before. "Keep fit—but not for your men," she exhorted Moscow's masses. "Do it for yourselves." ❑

▲ Asked by a Moscow audience to describe why she's happy, Fonda replied, "In the first place, I'm in love."

▲ The summit with Gorby, said TASS, focused on "the effort to consolidate peace and promote friendly relations."

▶ Alerted by billboards and other varieties of media blitz, fans waited hours to buy tickets to the premiere.

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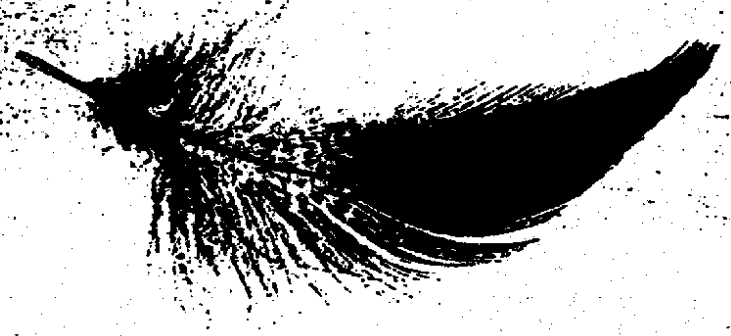

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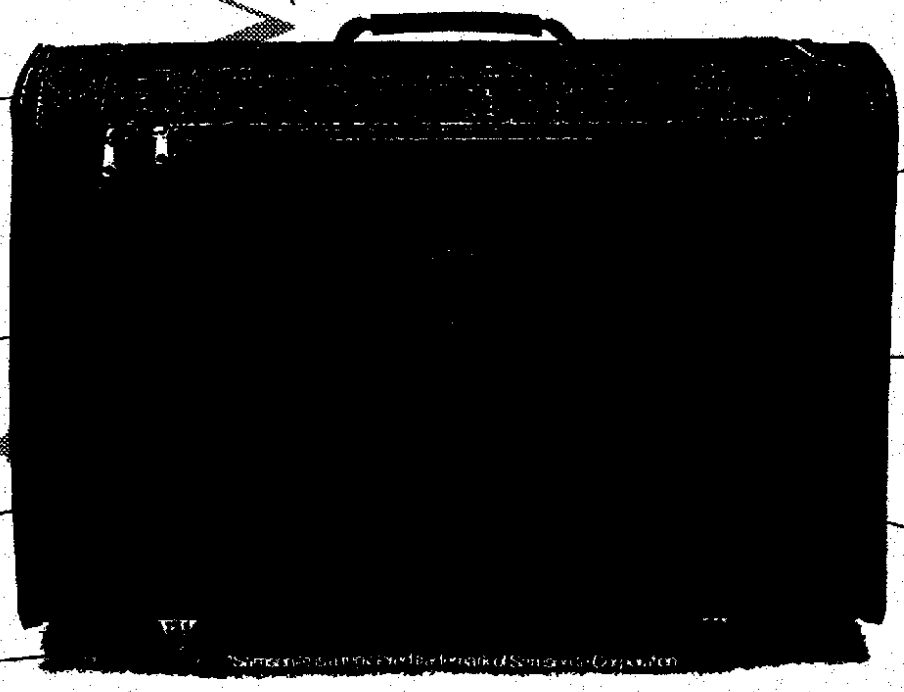
Applied To A Samsonite.*



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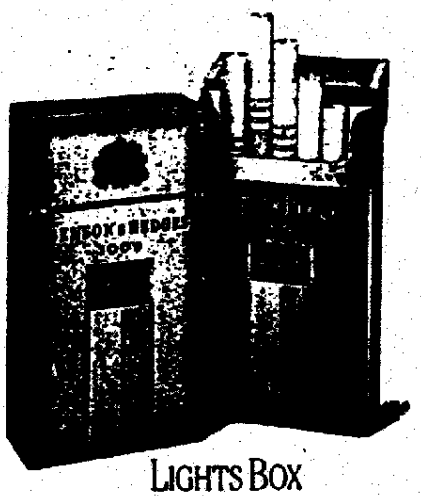

LIGHTS BOX

BENSON & HEDGES
because quality matters.

Approached by

Lights Menthol Box: 10 mg tar, 0.8 mg nicotine. Reg Box: 11 mg tar, 0.9 mg nicotine, av. per cigarette, by FTC method.

SURGEON GENERAL'S WARNING: Quitting Smoking Now Greatly Reduces Serious Risks to Your Health.

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STARTRACKS

▲ Nancy Reagan chaired a benefit and birthday party for actress Helen Hayes in New York City, where the First Lady of the American Stage—now a spry 90—got bussed by country prince Randy Travis, 31.

▲ After taking in the vogue of the Jean-Paul Gaultier fashion show in Paris, Madonna, 32, made a glam exit with her new beau, model Tony Ward. Woody Allen has cast Miss M in his next pic.

◀ Carrie Fisher, 34, enjoyed the luxury of lap—her grandmother Maxene's—at L.A.'s Thalians Ball. Debbie Reynolds's mom inspired Meryl Streep's rascally grandma (played by Mary Wickes) in *Postcards from the Edge*.

▲ Real-life sweethearts Lara Flynn Boyle, 20, and Kyle MacLachlan, 31, sneaked out of *Twin Peaks* for a damn fine 15th-anniversary celebration of *The Rocky Horror Picture Show* in Los Angeles.

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San Francisco, California

"...and they don't take American Express."

Marimekko, San Francisco. A shop where fabric is art. Weave your way through this gallery of unique creations, and pick out your masterpiece. It's just one of the more than four million places around the world that accept Visa, but not American Express.

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HAPPY

..IVE CREW'S LUKE CAMPBELL IS KEEN FOR GREEN, NOT THE OBSCENE

The black BMW 325i convertible—with two car phones, thanks—is gliding through a swanky Miami Lakes neighborhood when its driver turns a corner and slows. Outside a mansion, police cars and an ambulance signal that all is not calm within. "Probably an old person, we have a lot of them down here," says the man driving the Beemer. Then he chuckles. "Must have found out I moved into the neighborhood and had a heart attack."

Chances are Luther "Luke" Campbell has never induced cardiac arrest, but the gap-toothed leader of rap music's infamous 2 Live Crew has been arrested for an allegedly obscene performance, and the lyrics of the group's raunchy album *As Nasty as They Wanna Be* have sparked legal [illegible] in five states. Campbell, 28, beat his obscenity rap on Oct. 20, when a jury acquitted him of all charges stemming from 2 Live Crew's show before an adults-only audience in Hollywood, Fla., last June. The panel included a 76-year-old woman—who said the cuss words weren't anything new to her—and another jurist so moved by Campbell's poetic licentiousness that she suggested delivering the verdict in rap.

Campbell, "relieved" after this latest trial, maintains that he is a victim of racism as well as politics in his native Florida, where a conservative governor and sheriff have helped spearhead a campaign against him. "The issue has confused a lot of people," he says. "We're not talking about something that's never been done before; we're talking about sex. Many people—mainly white people—don't understand black slang and misinterpret our music, put it in a violent context."

He is quick to admit, however, that controversy has its rewards. "*Nasty* was a dead record until all this came up, then it sold another million copies," he notes. In [illegible] short order, Campbell has not only [illegible]e a figurehead for millions of anticensorship partisans but has also managed to sell a quick 500,000 copies or so of his latest LP, *Banned in the U.S.A.*

"I wasn't positive we'd win it," says rapper-linksman Campbell of his obscenity trial.

Photographs by © 1990 Robin Bowman

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HAPPY

"I bought this place five months ago, when everything started coming at me at once and it got too intense," Campbell says of his sprawling, seven-bedroom, Mediterranean-style home, nestled along the lush mat green of a golf course. The serene fairways offer the first suggestion that Campbell's life is a surprising dichotomy. More evidence appears in the contrasting images presented by his two dogs: a Rottweiler named Rambo and a toy poodle named [redacted]. "The Luther Campbell who gets up onstage with 2 Live Crew and talks about sex is one guy," he says. "When I get offstage, I'm another Luther Campbell all over again."

And how. Campbell lives in G-rated suburban Miami splendor with his girlfriend of two years, Tina Barnett, 20, who is expecting his child in December. (He also has an 8-year-old daughter by another woman.) Out front, the circular drive holds the BMW and a Jaguar Vanden Plas Majestic, but there is a family friendly Land Rover in the garage. Upstairs, the nursery that the couple has outfitted for the baby's arrival is awash in the stuffed animals Campbell compulsively brings home from the road. "Whenever he goes out of town, a teddy bear comes back," says Tina, who plans to marry Luke as soon as he decides whether or not he wants to elope. On display in the couple's bedroom, next door to the nursery, is an autographed picture of Phil Donahue ("To Luther, you are bad, *really* bad—Phil").

If all this weren't enough to convict the guy of being hopelessly unhip, every day at 6 P.M. there is golf. Campbell took up the sport three months ago to unwind; now he's got the plaid shorts, the shoes with the fringe, even his own golf cart. Although he says don't even ask about a handicap yet, he is taking lessons regularly and has, amazingly, a good rep at the Golf Club of Miami. "Luke's so quiet we hardly know he's around," says Dade County Administrator and fellow club member Herb Smith. "He just goes out to the tee and works on his game."

Other than golf, Campbell lists his favorite pastime as "making money." To that end he can be found most days in a predominantly green office-lair at Luke Records, the two-story Miami headquarters of a music empire that includes four record labels, 16 acts, a warehouse, a construction company and three local nightclubs. His game plan? "Diversify," says Campbell. "My mother told me not to have a one-track mind." So Campbell reads FORTUNE and spreads himself around, evidently to good effect, considering reports that say he brought in $11 million last year. "I have to have a return on my investment," he says circumspectly. "I spend my money wisely, very wisely."

For a long time it looked like he was just a wiseacre. The fifth son of a janitor and a hairdresser, Luke—who grew up in Miami's riot-torn Liberty City ghetto—calls himself "the worst one out of all of them, the one everybody probably expected to end up in jail." The only child not to go to college, he was a cocky, strong safety on the high school football team who "got kicked off because I thought I was the best." Off the field, he says, "I stayed in trouble. I fought all the time; I was a real John Wayne type." But there was a song—in rap meter—in his heart. During high school Campbell formed a deejay group, the Ghetto Style D.J.'s, to play area parties.

After graduation he worked for a while as a cook ("I still make a good chicken Florentine") before deciding music "was where the money was at." He hooked up with 2 Live Crew, a California group formed by rapper Chris Wong Won and deejay David Hobbs, and sold their first single, "Throw the D," out of the trunk of his car. In 1985 he formed Luke Records and vowed to be his own boss. *The 2 Live Crew Is What We Are* came out in 1986, followed by *Move Somethin'* a year later and *Nasty* in 1989.

Campbell has stayed in the news pretty much ever since and estimates he'll be there a while longer. "Rap music today is what rock and roll was in the '60s with the Stones," he says. "It's considered the most rebellious music ever." He figures the controversy will sputter out with time. "Fifteen years from now," Campbell predicts, "2 Live Crew will get together for their reunion tour, and the stadium will be filled with black and white doctors, lawyers and politicians."

—Lisa Russell in Miami

▶ As part of a typical 2 Live Crew show, Campbell encourages audience participation.

▼ "He treats me with respect," girlfriend Tina Barnett says of Campbell, "and he makes me laugh."

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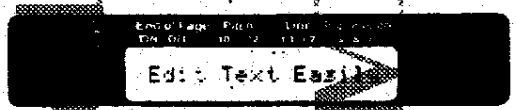

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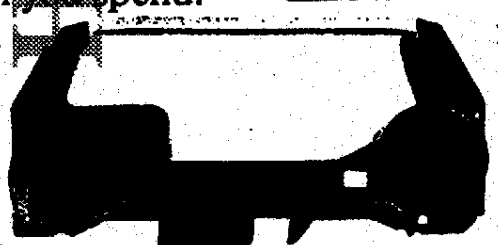

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Is It Live Or Is It Memorex?

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"It's never going to come to an end," says Donald Rogerson, with daughter Marcia after the trial.

CRIME

A TRAGIC HUNTING ACCIDENT IN MAINE KILLS A MOTHER IN HER OWN BACKYARD AND ENDS IN THE SHOOTER'S ACQUITTAL

Karen and Kevin Wood were newcomers to the Bangor, Maine, area—"blow-ins," as some locals derisively refer to the young professionals who have pushed back the forests with their paved roads and upscale developments. Donald Rogerson was a third-generation native of the area. They lived in neighboring towns, but they had never met—until that terrible instant when Rogerson put a bullet into Karen Wood's chest.

It was a crisp November day two years ago. Fifteen minutes earlier, Karen had been on the phone with a neighbor discussing gunshots, presumably from deer hunters nearby. Leaving her twin daughters, Laura and Lindsey, 1, safely in the house, she grabbed a blue jacket and white mittens and walked fewer than 50 yards toward the back of her property. Sixty yards away, Rogerson, a hunter with at least 25 seasons' experience, fired his Remington .30-06 at what he later said was a buck. Then he said he saw two "flags," the white underside of a deer's tail raised in flight, and fired again. Hurrying over to mark his "kill," he found Karen Wood lying on the ground. The white flags had been Karen's mittens. Peter Anderson, his hunting companion that day.

Photographs by Gary Gulsinger

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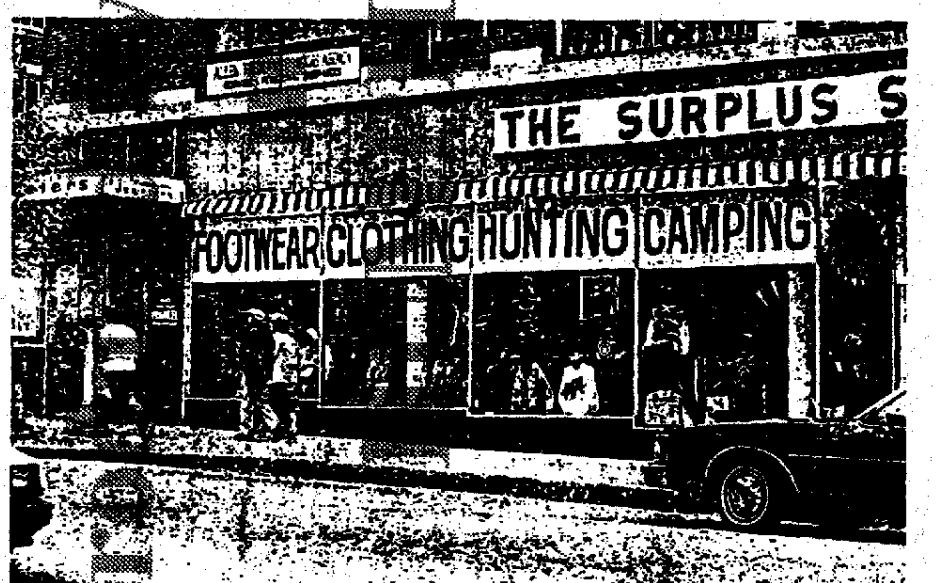
▶ Rogerson was standing in a thinly wooded area behind the Woods' house when he fired the fatal shot.

▼ Maine's hunting season lasts four weeks, raising $6 million in licensing fees. Conservationists wear blaze orange.



make a point of coming by to offer him support. "He's probably one of the most sensitive, sincere persons I've ever known," says Brown, who once owned the market where Rogerson has worked for 22 years. Says Rogerson: "I have tried to live a model life. I try very much to live by the Scout law."

Time and again he expressed his sorrow about Karen's death. He doubts he will ever hunt again. "I just wish that there was some way that they can understand," he says. "I don't ask them to forgive me—just some understanding that I am a real person, that I have feelings and emotions. I'll never forget it." For two years, he says, he has not slept more than three hours at a time. He was disturbed by the frequent pictures of Karen and her twin babies in the news. "I have a family too," he says.

After a grand jury failed to indict him in 1988, the case finally came to trial in mid-October and lasted a week. Assistant Attorney General Jeffrey Hjelm, charging Rogerson with reckless and criminal negligence, pointed out that, on the day of the accident, Rogerson had parked his truck at the end of the street where the Woods lived. He was 306 feet from their house, but 286 feet from a neighbor's house—short of the 300-foot limit specified by Maine fire-arms law—when he took the fatal shot. Game wardens found no evidence of deer near where Karen stood, although defense lawyer Lewis Vafiades suggested the crime scene had not been kept intact and that tracks could have been obliterated by investigators' footprints.

The jury of eight women and four men deliberated nine hours. When forewoman Roberta Flynn stood, her arms crossed, and said, "Not guilty," the packed gallery was stunned. Seconds later, Rogerson's wife, Sandra, his twin sister, Donna, and his children began to sob with relief. "We felt that there was no proof that there was no deer in the area," juror Kelli Hurley said afterward, seeming to give little weight to Rogerson's proximity to residences. As they sat in Miller's Restaurant in Bangor, one of Karen's brothers and a sister heard three women discussing the verdict in a booth just behind them. "Don Rogerson has suffered enough," said one of the women. "Karen Wood didn't suffer."

A few hours later, a dazed and disappointed Kevin Wood flew back to Bettendorf, Iowa, where he had returned shortly after Karen was killed, to be home with his daughters. "They give my life purpose," he says. "And, also, quite frankly, they are what I have left of Karen. I see her in them frequently. That's both a joy and a pain."

—Ken Gross,
Stephen Sawicki in Bangor

COURTESY OF

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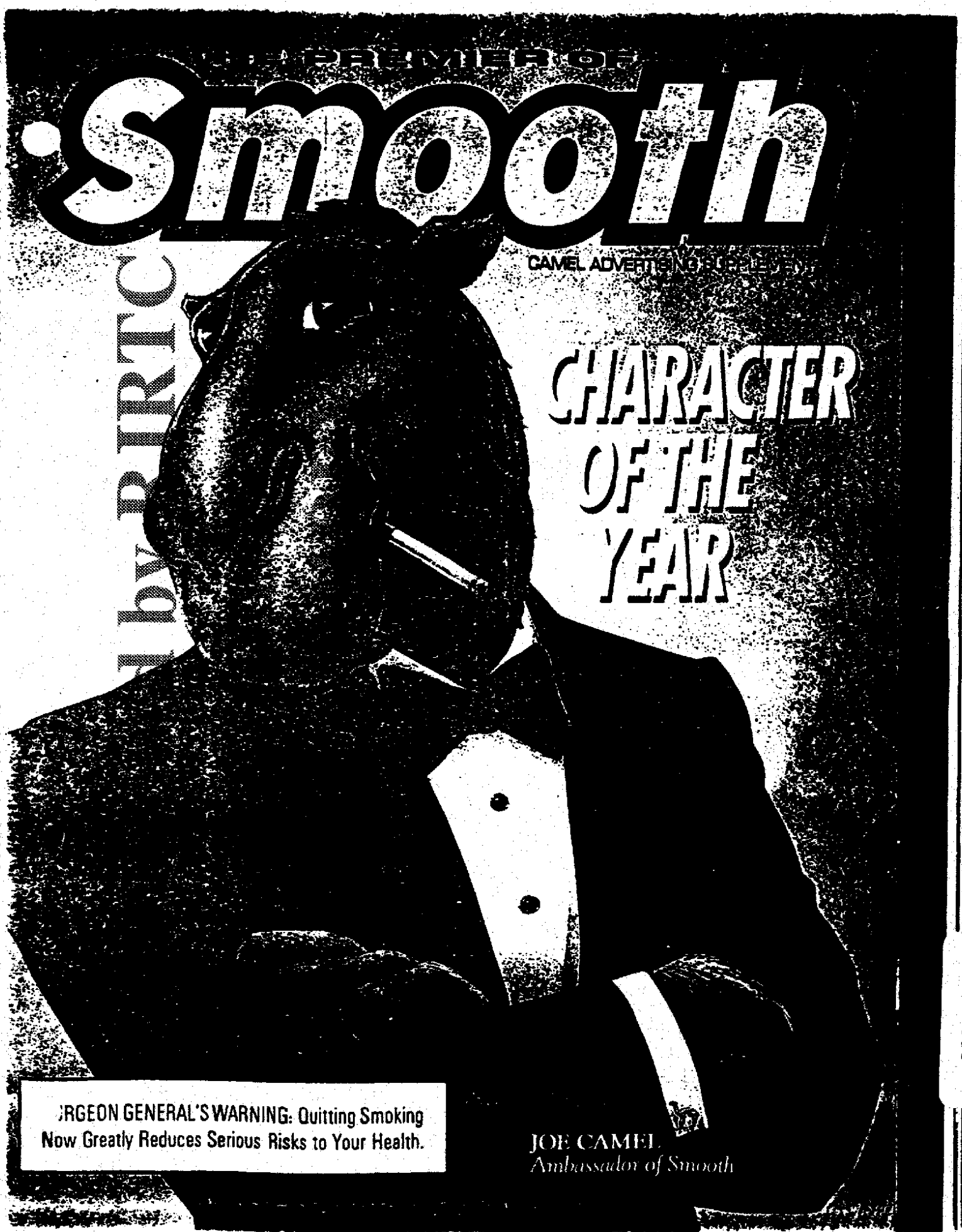
THE PREMIER ISSUE OF

Smooth

CAMEL ADVERTISING SUPPLEMENT

published by RJRTC

CHARACTER OF THE YEAR



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JOE CAMEL
Ambassador of Smooth

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Smooth

IS A CAMEL ADVERTISING SUPPLEMENT

FEATURES

Letters

We dug out some of the best from our files

8

EXCLUSIVE

3 **Joe's Smooth Philosophy**

"Travelling first class," and other pearls of wisdom straight from the camel's mouth.

IV **MONUMENTALLY SMOOTH**

TAKE A TOUR OF JOE'S PERSONAL HALL OF FAME AND GET THE INSIDE SCOOP ON SOME OF THE STONE SMOOTHEST CHARACTERS OF ALL TIME!

MIDNIGHT AT THE OASIS

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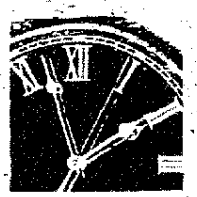
JOE'S SMOOTH PHILOSOPHY



on TIMING:

"The early bird usually falls asleep before the party starts."

on MONEY:

"A penny saved is another one you can't get rid of that hangs around in your pocket gathering lint and eventually makes a hole, so you lose it anyway."

on TRAVEL:

"When at all possible travel first class. If no camels are available, ship your luggage by whatever means of transportation may be provided."

on LIFE:

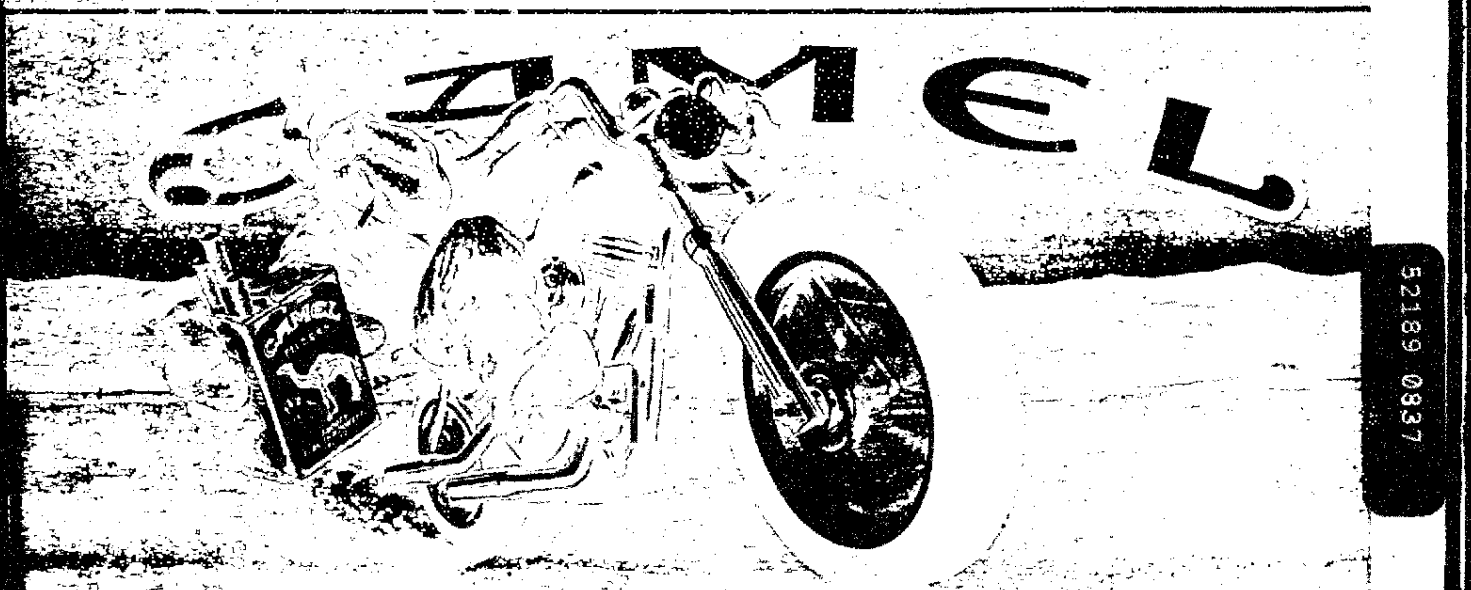
"Don't ask for whom the bell tolls—let the butler get it."

on DATING:

"When all else fails, pick up a pack of Camels."

on IN-LAWS:

"The only difference between in-laws and outlaws is that outlaws are wanted."



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BEST IMAGE

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MONUMENTA

NEANDERTHAL CAMEL

First of the illustrious Camel line. "N. C." was big on the club scene as the first big rock promoter. Granite, quartz, basalt—he worked with them all. Archaeologists also believe he invented the first wheel, and 15 minutes later, got the first speeding ticket.

CAMELIUS MAXIMUS

Every citizen from Carthage to Gaul was familiar with Crazy Camelius's Used Chariot Dealership and their motto, "I came, I saw, I got the best deal in town." He posed in front of the pyramids for the famous Camel Filters pack while on a date with Cleopatra.

GHENGHIS KHAMEL

The fiercest camel ever to wear a weird pointy hat. In 1258, Ghenghis Khamel set out from Mongolia with one purpose in mind—to get out of Mongolia. For the heck of it, he ended up conquering Europe instead.

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ALLY SMOOTH

Sir Joseph Of Camelot

There wasn't enough room for him to sit at King Arthur's Round Table, so Sir Joseph had to sit at a card table in the basement. However, Sir Joseph was renowned for his bravery, having once turned a fire-breathing dragon into the first disposable lighter.

Leonardo da Camel

Owner of Leonardo's 1-Hour Portraits, he became the subject of scandal when it was revealed that his masterpiece, the "Mona Lisa," was crafted from a paint-by-numbers kit. In his own defense he said: "Hey, at least I stayed within the lines!"

Stonewall Camel

The top of his class at West Point, Stonewall cut a dashing and unusual figure as a camel riding a horse. Not wishing to offend either the North or the South during the Civil War, he decided to fight for the West. He never lost a battle.

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Produced by R.J.

Midnight at the Oasis

When Joe throws a party at his favorite watering hole, only smooth characters need apply.

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SURGEON GENERAL'S WARNING: Quitting Smoking Now Greatly Reduces Serious Risks to Your Health.

Letters:

Dear SMOOTH:
A smoking camel?!! Who ever heard of that?!! That's ridiculous!!

Mr. Ed Palomino
Burbank, CA

Dear SMOOTH:
Remember the old Camel motto, "I'd walk a mile for a Camel"? Well, I walked a mile from my house and all I found was an empty lot. There was a dog there, but there wasn't any Camel. What's going on?

Juacane L. Reynolds
Baton Rouge, LA

Juacane—You walked in the wrong direction. Try going out of your house, making a right onto Maple Avenue, and walking a mile to the Baton Rouge Convenience Mart. Walk up to the counter and look to your left—there's a Camel display. Glad we could help.

SMOOTH

Dear SMOOTH:
It's interesting that on your planet you have advertising that features a camel smoking a cigarette, because on my planet we have advertising that features a Zwork imploding a Q-Multiplier. Small universe, eh?

BD4+5
Neptune City, Neptune

Dear SMOOTH:
Yesterday a certain suavely attired character, calling himself the "Ambassador of Smooth," dented the fender on my car and claimed diplomatic immunity. Do you know where I can contact him?

Diana C. Hirsch
St. Louis, MO

Diana—We don't know anything about it. Besides, you didn't signal when you were making that left turn onto Pennsylvania Avenue.

SMOOTH

Dear SMOOTH:
I suspected someone was stealing my Camels because every day, when I came home from work, a few more cigarettes would be missing from the carton I keep on my dresser. Well, yesterday I came home early and discovered our pet German shepherd, Walter, smoking my Camels in the garage while wearing my bathrobe and slippers. Boy, was I relieved! I thought things had gotten weird or something.

Craig S. O'Keefe
Trumbull, CT

Dear SMOOTH:
I feel it is my civic duty to inform you of a rumor about your mascot that has been circulating throughout my community. Apparently, when you turn a picture of Smooth Character upside-down, his face looks just like an upside-down camel who's smoking a cigarette. I know this sounds incredible, but I thought you should know. That is all.

Pamela A. Hunt
New York, NY

COMING SOON

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A MID-WINTER LIGHTS DREAM

REQUEST FOR FIRE
A CAMEL FILTERS ADVENTURE

CAMEL

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REVERSAL OF FORTUNE? FOR CLAUS, YES, BUT FOR SUNNY, NEVER, AS A NEW FILM PUTS THE VON BÜLOWS ON TRIAL AGAIN

SCREEN

▲ In *Reversal of Fortune*, Glenn Close is on addled Sunny, and Jeremy Irons debonair but serious Claus

▼ Married in 1966, Sunny and Claus were regulars at major social events like this 1968 London party

▶ Although he keeps a low profile in London, Claus, says one socialite, "is still a good name to invite to a party."

She was born to beauty and a fabulous fortune; what he lacked in wealth, he replaced with idiosyncratic style. Together, Sunny and Claus von Bülow paraded through Newport, R.I., and New York City society, seeming as charmed as they were charming. Then on Dec. 21, 1980, Sunny, now 59, was found comatose on the floor of her bathroom in her Newport mansion.

The ripples of horror that spread through the Von Bülows' glittering circle would soon boil into

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Philip Morris U.S.A.
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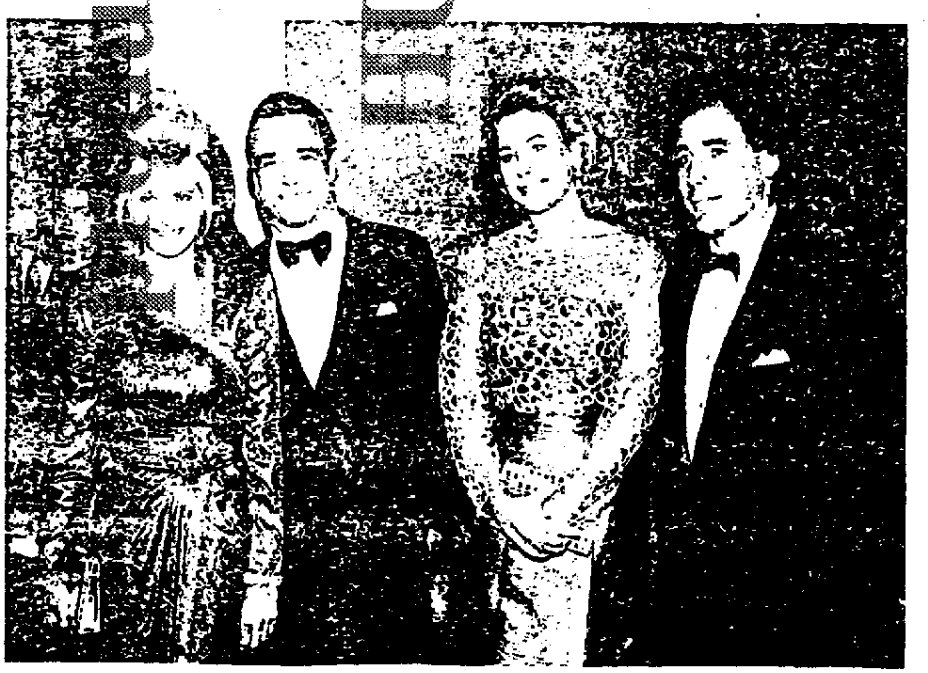
Philip Morris Companies Inc.

▶ Cosima, at right with a recent date, lives in London but often jets over to New York City, appearing at such society watering holes as Mortimer's

...with Ivana Trump and escort boyz ...magazine's benefit for the Sunny von Bülow National Institute, turned bad fortune into good works



a scandal: Seven months later Claus, now 64, was charged by a Newport County grand jury for attempting to murder his wife with injections of insulin. While the heiress reposed unknowing in a New York City hospital, the private life she had so carefully guarded—her alleged alcohol and drug abuse, Claus's womanizing—became public spectacle as Claus was convicted, then acquitted on appeal.

In the minds of many, though, Von Bülow was never exonerated. The two criminal trials and a civil suit filed by Sunny's children from her first marriage, Ala Isham and Alex von Auersperg, also split the family down the middle, with the Von Bülows' daughter, Cosima, lining up with Claus against his stepchildren.

All of these troubled lives unfold again in Reversal of Fortune, *the critically acclaimed new movie based on the 1986 book by Alan Dershowitz, the lawyer who won Claus's appeal. Here's what the principals have been doing since their names left the headlines.*

CLAUS VON BÜLOW

As part of the 1988 settlement of a $100 million civil suit filed by his stepchildren, Claus agreed not to discuss the case publicly. He has been living up to the bargain in a London town house overlooking a South Kensington square. "My stepchildren only agreed to share [their grandmother's] inheritance with my daughter on a number of conditions," he explained recently. "One of them being that I abandon freedom of speech."

Claus, in the process of divorcing Sunny, doesn't work and lives off a small inheritance. He tries his gentlemanly best to stay out of the limelight. Gone from his life is Andrea Reynolds, the publicity-savvy social barracuda who championed his case during the second trial and who last year wed (her fourth marriage) an English financier.

Claus (played to a starched T by Jeremy Irons onscreen) says that both he and Cosima find "the idea of the film deeply distasteful" and do not intend to see it. "I find it a little painful," he adds, "that people should wish to write fiction about either those whom I love or myself."

SUNNY VON BÜLOW

In a haunting reminder of the woman at the emotional core of the scandal, the voice of Martha "Sunny" von Bülow (played by Glenn Close) floats over the opening scenes of *Reversal of Fortune*. "That was my body," says Close, as the camera zooms in on her hospital bed.

The real Sunny, according to a spokesman, is suspended in a "persistent vegetative state" in her private hospital room. According to doctors, she's no longer in a coma and does have sleeping and waking periods, al-

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though all of her senses are severely impaired. Contrary to media reports, her hair hasn't been professionally styled or her nails manicured since before her "accident." The two remnants of her previous life are the classical music she listens to each day (her doctors believe she has partial hearing) and the pictures of her three children and the two granddaughters she has never seen (although they've been at her bedside with their mother, Ala, and uncle Alex). Her medical care costs the family an estimated $550 a day.

Though the film depicts her as a harridan, she is remembered fondly. "You kind of appreciate sweet souls like her," says a friend. "Because there are more than enough of those society shrews and trust-fund bimbettes around."

RIP

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IMPACT

Von Bülow was the victim of some less-than-hilarious pie-fights this summer, when he was caught in a cross-fire of custard tarts at a friend's birthday bash in London.

COSIMA VON BÜLOW

To most observers, Cosima von Bülow was the true victim of the tawdry tangle. Only 13 when her mother lost consciousness, Cosima stood by her father and was shunned by her step-siblings and "polite" society for doing so. She was also disinherited by her maternal grandmother, Annie Laurie Aitken, and had to go to court to win her fair share of the $90 million utility-company fortune Aitken left when she died in 1984.

Cosima escaped the glare by blending into the student body of Brown University, from which she graduated in 1989, and then moving to London to become a free-lance writer. Last summer her guide to the world's most eligible bachelors was published in Britain's upmarket *Tatler* magazine.

Still close to her father, Cosima receives an annual income of $500,000 from her various trusts and holdings. She recently bought a one-bedroom apartment in London and keeps a $2 million, two-bedroom apartment in New York City, around the corner from the family's former Fifth Avenue digs. Her friends find her to be pleasant and down-to-earth, or as one college buddy puts it, "I like her because she isn't full of s--t, like so many of the WASPy girls in New York."

THE VON AUERSPERG CHILDREN

Often portrayed as the wicked stepchildren because of their unbridled dislike for Claus, Ala, 32, and Alex, 31, have steadfastly defended Sunny. "Our mother has been portrayed as pathetic and self-destructive," they said in a written statement. "We reject this injurious and erroneous portrayal."

Ala and sports promoter Franz Kneissl, the father of Sunny, 7, and Alexandra, 4, divorced in 1988; the following year she married Ralph Isham, an investment banker. Both Ala and Alex live in New York City, where he is vice president of a mutual fund management company. The siblings memorialized their mother by founding the Sunny von Bülow National Victim Advocacy Center and the Sunny von Bülow Head Trauma and Research Foundation. (Sadly, their father, Alfie von Auersperg is in a coma following a 1983 auto accident.)

Ala and Alex's only regret seems to be their poor relationship with Cosima. Reportedly the three exchange letters and gifts on birthdays and other special occasions but have little personal contact.

ALAN DERSHOWITZ

The Harvard Law professor portrayed by Ron Silver has taken on another high-profile case—he is trying to get Leona Helmsley's recent conviction on tax fraud overturned. But Dershowitz still revels in the Von Bülow spotlight and was seen standing under the marquee of a New York City theater when the film opened there last month. When a senior citizen approached him and asked if he was the lawyer in the movie, the attorney replied, "Yes, yes, I'm Alan Dershowitz. This is my movie."

—Mary H. J. Farrell,
Khoi Nguyen in New York City,
Laura Sanderson Healy in London

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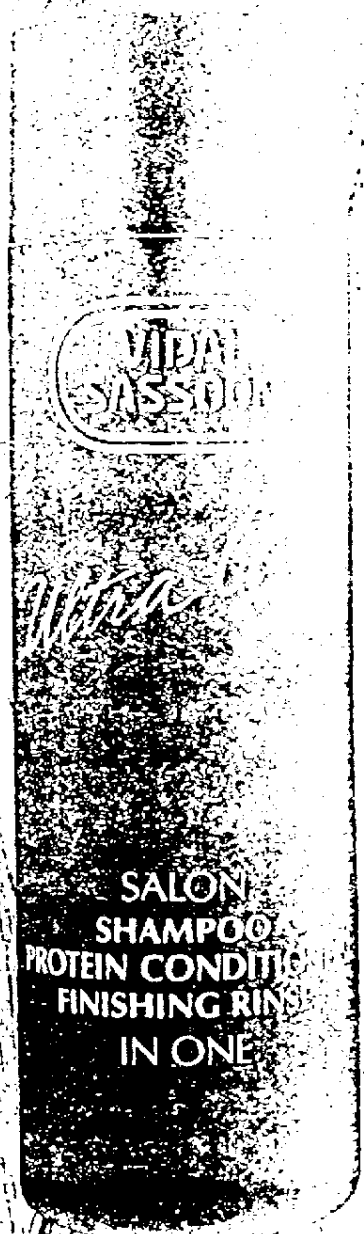

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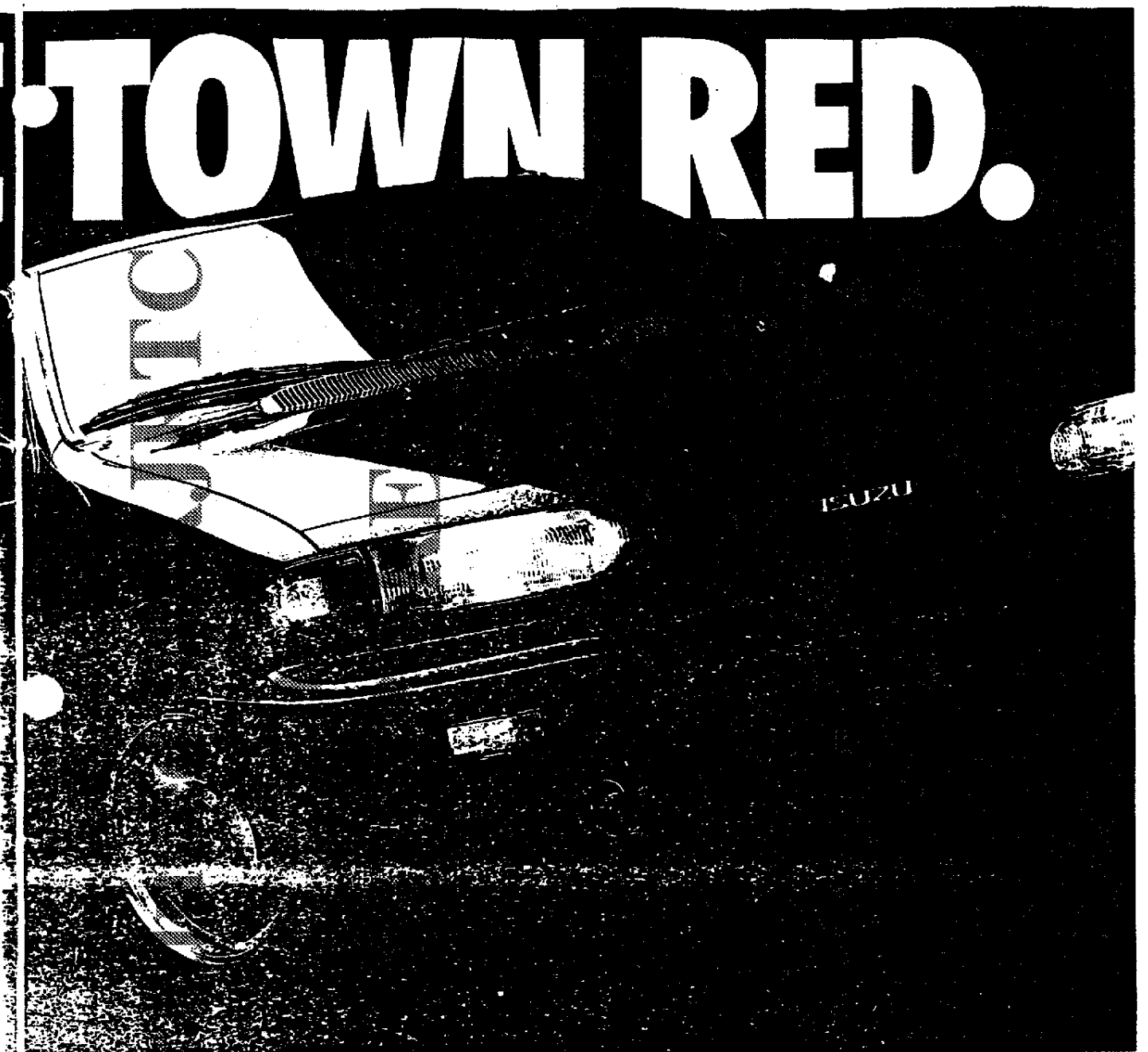

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For Robert Shannon, winning football games isn't the only thing. "You have got to produce good people too," he says.

Adapted by R.J. Reynolds

JOCKS

AMID THE SYMBOLS OF A CITY'S DECAY, AN ILLINOIS HIGH SCHOOL COACH TEACHES KIDS THE SECRETS OF WINNING—AND PRIDE

For years the city of East St. Louis, Ill. has been a national symbol of urban collapse. The streets and sewers are crumbling; crime and unemployment rates are depressingly high; the government is so swamped with debt that the Mayor was recently forced to hand over the deed to City Hall to satisfy a liability claim. But in the midst of this municipal meltdown, across the Mississippi from St. Louis, this city of 55,000 people, mostly black, has fostered one minor miracle: an extraordinary high school football team.

East St. Louis High, in fact, is the citadel of a football dynasty. With a pothole-filled practice field and a dressing room crowded with rusty, doorless lockers, the Flyers, under the tough, paternalistic stewardship of Coach Robert Shannon, were the top-ranked high school team in the country last year, despite the fact that the city's Board of Education had no money to allocate for team equipment or for the salaries of two assistant coaches. This year they are 8–0 and No. 3 in *USA Today*'s national ranking of high school teams.

While budget shortfalls are a problem, they are not the worst of Shannon's worries. At times scrimmages have been interrupted by drive-by shootings on adjacent streets. One day two years ago the team arrived for practice to find police marking off a section of the field where a drug dealer had been assassinated the night before. Gangs with names like the Disciples and Vice Lords rule the neighborhood streets and frequently taunt members of the team for refusing to join them.

"I tell our players there are two things you can't buy: trust and respect," says Shannon. "The guy in the street wants respect, too, but for the wrong reasons. I want my players to understand there's nothing wrong with being a good person."

That philosophy—and 15 hours of drills each week—have produced a team that has lost just four games in the past eight years. "The No. 1 thing about Coach Shannon is his work ethic," says Deandre Singleton, 16, the Flyers quarterback. "Sometimes we are the only team out there when it's 100° outside." If the work ethic fails, Shannon has another source of motivation: a wooden paddle he keeps in the equipment room. "If you mess up on the field or in class you get the butt buster," says Roderick Fisher, 15, a safety and split end. "Coach Shannon has tremendous authority," says Tom Holly, a St. Louis sporting goods store owner

Photographs by Steve Kagan

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▲ Shannon used his second string much of the game in a recent 39–13 win over Belleville West High.

◀ Shannon's wife, Jeanette, offers coaching tips as he tackles the leaves at home in Ferguson, Mo.

▼ For a recent lecture to his fifth-period health class, Shannon's topic was, appropriately, stress.

who helped equip the team. "He is able to get players and supporters alike to run through walls with him."

About half of Shannon's players end up going to college, some on full scholarships. A few, not surprisingly, go back to the streets. Shannon recalls one youngster who showed promise as a sophomore but dropped out of school soon after. "He saw his mama shoot her boyfriend with a sawed-off shotgun that almost cut the guy in two pieces," Shannon says. "He just started going downhill, and by his junior year he was out selling drugs. It's not a good feeling to see young people mess up their lives," adds Shannon. "But you know, life goes on, and I understand you can't save them all. Some don't want to save themselves either."

Raised in poverty in Natchez, Miss., Shannon feels a special affinity for the youngsters he coaches. As a boy he often got up at midnight to help his father stoke the boilers at the sawmill where he worked as a night watchman. Shannon was 12 when his father died. He learned to live with hunger as his mother tried to support 11 children on her $10-a-week earnings as a cleaning lady. "I once went to this lady called Big Mama, who ran the local house of ill repute, and I asked her if I could do any work in exchange for food," Shannon says. "She brought me inside and fed me. That is the first and last time I ever asked for food."

A star quarterback in high school, Shannon earned a football scholarship to Tennessee State University. In 1969, during his junior year, he joined the Washington Redskins and rode the bench for a year. He returned to TSU, earned a teaching degree and then signed on as a coach at East St. Louis High. Over the years he has maintained a no-cut policy. As long as a player keeps his grades up and stays out of trouble, he can play.

Shannon and his wife, Jeanette, 42, an elementary school teacher who also works in East St. Louis, commute from a tranquil suburban neighborhood in nearby Ferguson, Mo. In recent years Shannon has been offered the opportunity to coach both at the University of Missouri and at his alma mater, Tennessee State. For the time being, however, he remains a man with a more important mission. "Some people say you can't take inner city kids and mold them," Shannon says. "Well, you can't change Jack the Ripper if he's in here. But as long as I can see a kid changing his life a little bit at a time, he's worth working with." —*David Grogan, Nina Burleigh in East St. Louis*

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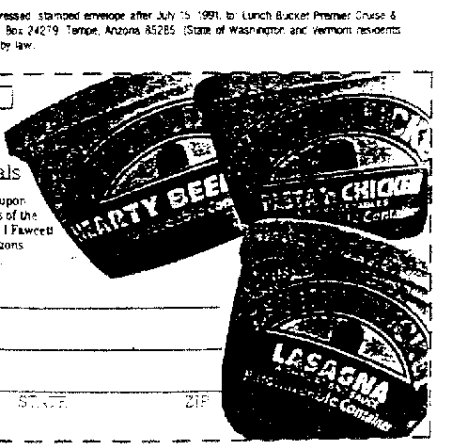

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PASSAGES

Art Blakey, 71, a powerful jazz drummer whose influence ranged far beyond pounding out the tight propulsive beat that came to be called hard bop, died of lung cancer in New York City Oct. 16. Over the past 35 years, Blakey's band, the Jazz Messengers, served as an ever-evolving showcase and proving ground for young, up-and-coming talents, including Branford and Wynton Marsalis, Freddie Hubbard, Chuck Mangione, Chick Corea and Keith Jarrett.

Novelist **Seth Morgan,** 41, a one-time heroin addict, convict and lover of Janis Joplin, died in a motorcycle crash Oct. 11 in New Orleans. His only book, *Homeboy,* a vivid journey into San Francisco's drug underworld, was published last year. "I hope my work carries the conviction of someone who has really been there," he said recently, "and is lucky to be here."

The Judds are cutting back to a Judd: **Naomi,** 44, the elder half of the Grammy-winning mother-daughter team, has announced that she's suffering from hepatitis and will drop out of the duo after their current tour is finished in October 1991. **Wynonna,** 26, will work on a solo album next year. . . . Actress **Dyan Cannon,** 53, married in the '60s to Cary Grant, is divorcing her second husband, real-estate mogul **Stanley Fimberg.** Those old irreconcilable differences. . . . Moving in the opposite direction: **Sean Penn,** 30, and pregnant bride-to-be **Robin Wright,** 24, have set the date—Nov. 18 in Los Angeles. . . . **Superman,** who holds a day job as **Clark Kent,** a mild-mannered reporter for a great metropolitan newspaper, has proposed to co-worker **Lois Lane** in the comic book's latest installment. Whether she says yes, no, or "Get a life, Clark," remains to be seen.

Joel McCrea, 84, lanky, low-key actor who ambled through such classics as Hitchcock's *Foreign Correspondent,* William Wyler's *These Three* and Preston Sturges's *The Palm Beach Story* (with Claudette Colbert, above) before saddling up as one of Hollywood's most enduring Western stars (*The Virginian, Ride the High Country*), died of pulmonary complications Oct. 20 in Woodland Hills, Calif. McCrea grew up in L.A.—as a boy, he delivered newspapers to Sam Goldwyn and Cecil B. DeMille—but, once established as an actor, he fashioned his life into something of a horse opera, buying up acres of land and listing his occupation as "rancher." "A horse to him," a columnist once wrote, "was like a sonnet to Keats."

Tom Carvel, 84, the ice-cream tycoon whose voice—a near-indescribable mix of grumble, mumble, rasp and gasp—peddled his company's wares in radio and TV ads for 35 years, died in his sleep in Pine Plains, N.Y., Oct. 21. Born in Greece, Carvel invented the frozen-custard machine in the '20s and started selling ice cream in 1934 with a $15 loan from his wife, Agnes. He began selling franchises in 1941; more than 700 stores are now in operation. Carvel launched his distinctive voice-over vérité—unedited, flubs, poor syntax and all—in 1955. "Our commercials," he said, "are for the people who look like us, talk like us and sound like us." Unlike us, he sold his company to Investcorp in 1989 for $80 million; the new owners announced this year that Carvel's narration was being dropped from future ads.

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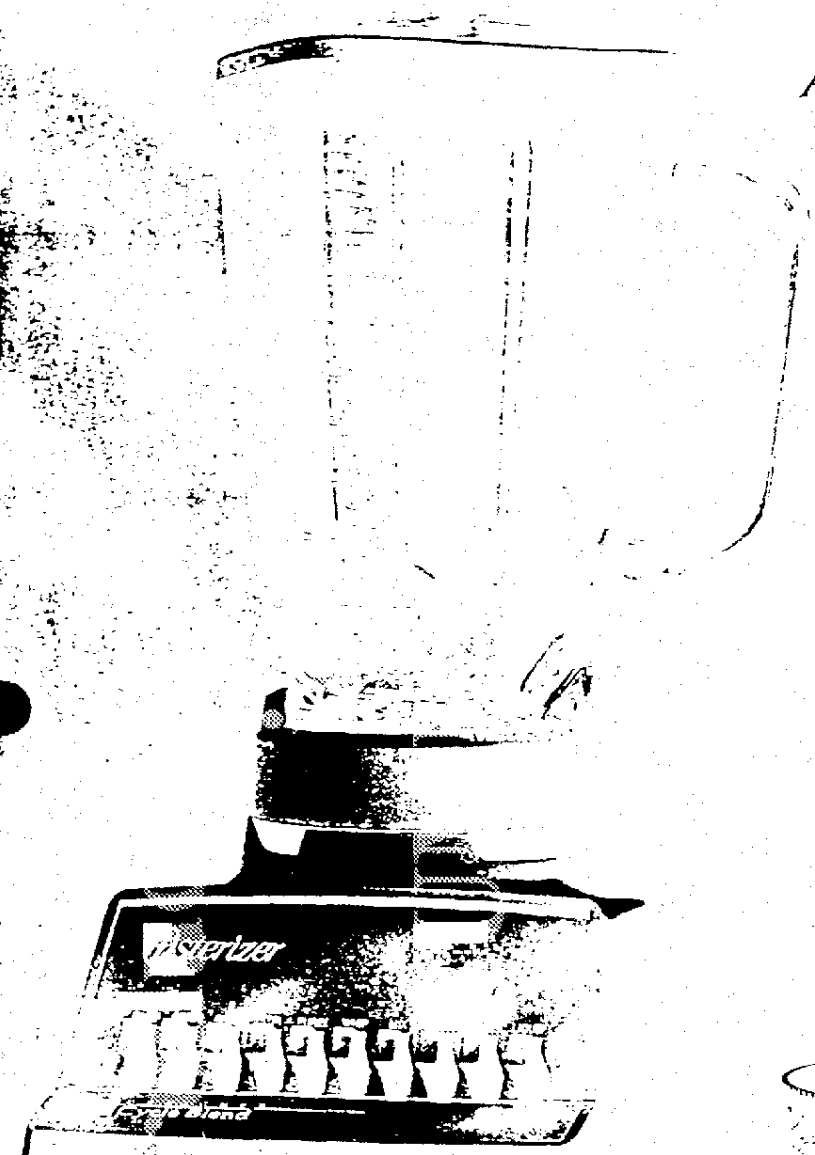

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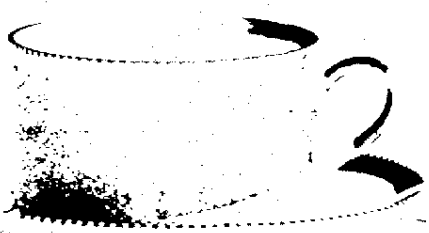

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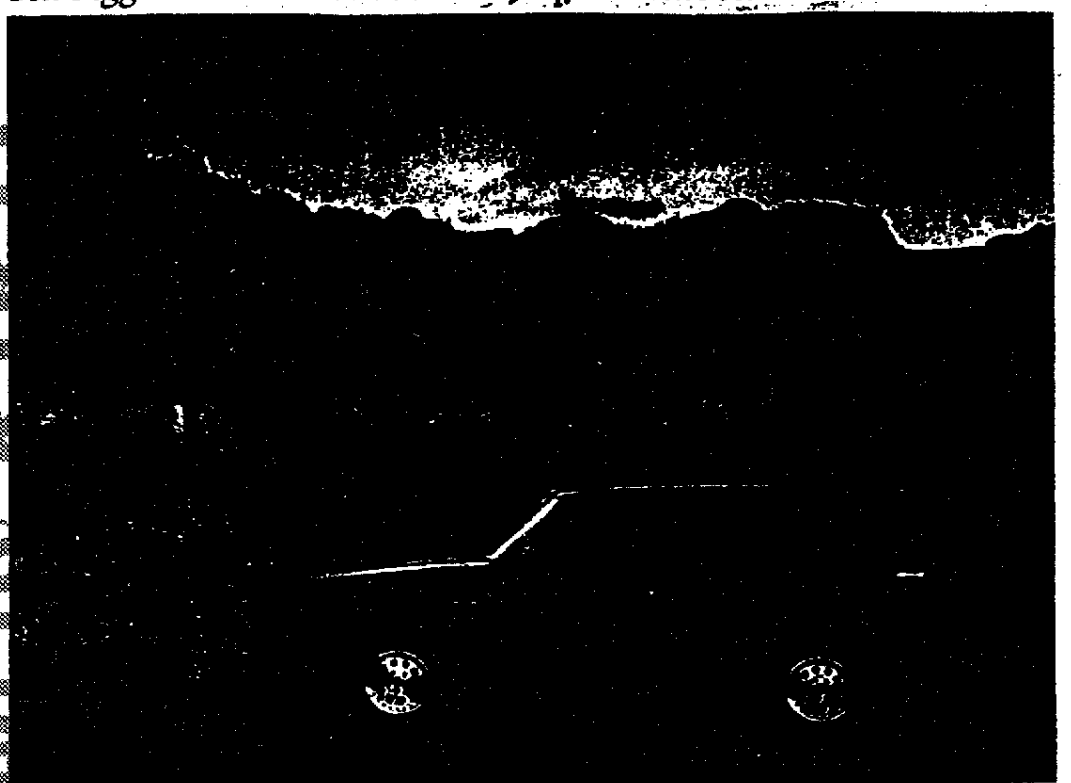

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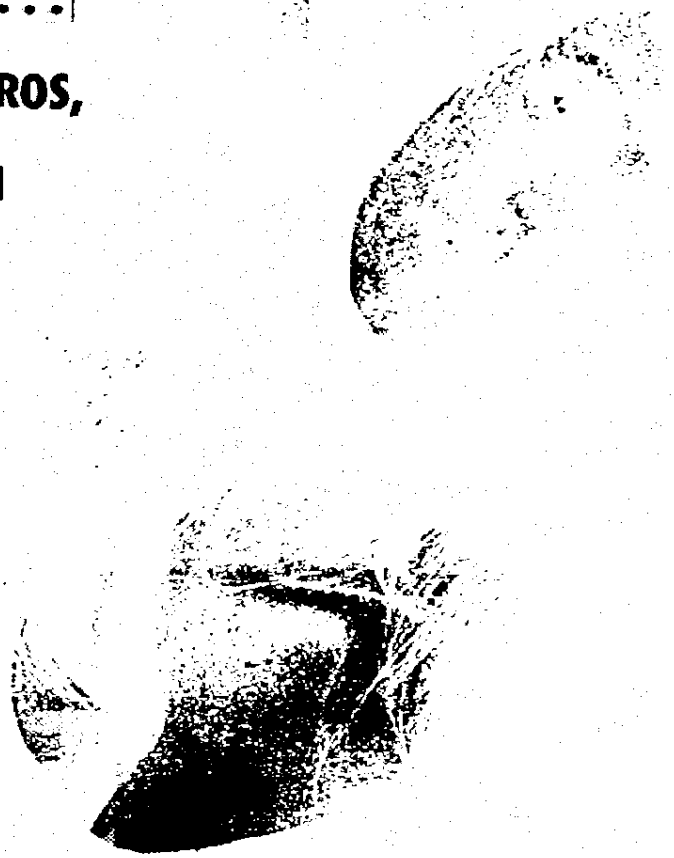
INTRODUCING . . .

MARIA DE MEDEIROS, THE STUNNING SEDUCER OF BOTH *HENRY & JUNE*



"I think the film has absolutely nothing shocking," says De Medeiros. "It is a very delicate film and romantic."

Photograph by Henry Peterson

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► Uma Thurman, far right, who plays June to Fred Ward's Henry, admires De Medeiros's "amazing ability to take a nap anytime."

▼ "She was a generous person, extremely attentive to people," says De Medeiros of the real Nin, below.

INTRODUCING . . .

Movie sex, explains Maria de Medeiros, star of the sensual new *Henry & June*, "has a choreography and timing to it. It's almost as if you were dancing." And clearly she doesn't mean the frug.

De Medeiros, 25, makes a soul- and body-baring American debut in a film so controversial that it prompted the Motion Picture Association of America to create a new movie-rating category: NC-17, or Not for children under 17." She plays the author Anaïs Nin (1903–77), whose intimate diaries, revealing her dangerous liaisons in the Paris of 1931 and '32 with both writer Henry (*Tropic of Cancer*) Miller (played by Fred Ward) and his wife, June (Uma Thurman), are at the heart of the story.

"Of course I was nervous," admits De Medeiros about her steamy love scenes. "But it was a good thing for me. I just let the shyness become part of my character."

De Medeiros won the role of Nin after director Philip (*The Unbearable Lightness of Being*) Kaufman saw hundreds of applicants and was struck by her uncanny resemblance to the author, whom he knew. "You feel a softness and elegance about them both," he explains, "a churning sexuality. Maria, like Anaïs, is calm but sexy. What I love is that she's really funny and laughs at everything, making it an adventure."

The daughter of Portuguese composer Victorino de Almeida (Nin's father was also a composer), Maria grew up, with younger sisters Ines, 22, and Anna, 11, in Vienna, Europe's music capital. During high school in Lisbon, film director João César Monteiro, a family friend, cast her as the star of *Silvestre*, his medieval tale of a girl who passes for a boy to defend her father. "And I liked it very much," she says. So much that on arriving in Paris to study philosophy, she scrapped her plans and enrolled in the prestigious drama school, Conservatoire National Supérieur d'Art Dramatique instead. Subsequently she starred onstage in *Elvire Jouvet 40*, a duet for student and teacher, then in *Zazou*, a rock musical.

For someone so willing to go nude on-camera, De Medeiros is fiercely private about her life offscreen. Currently she shares an apartment in the Montmartre section of Paris with her boyfriend of five years, whom she met in drama school and describes curtly as "nobody famous." When not working, Maria reads Shakespeare and Molière, plays the cello ("badly") and gobbles up American movies. "I don't cook a thing but frozen food," she says.

She scarcely has time. This fall she filmed *Meeting Venus* for Hungarian director Istvan Szabo. She has also made two shorts that were shown in Paris. So though she admires Nin's *Diaries*, don't expect De Medeiros to start keeping her own. "It takes a big discipline," she explains. "You have to concentrate on the writing. And I can't do that for the moment."

—Marjorie Rosen, Maria Speidel in New York City

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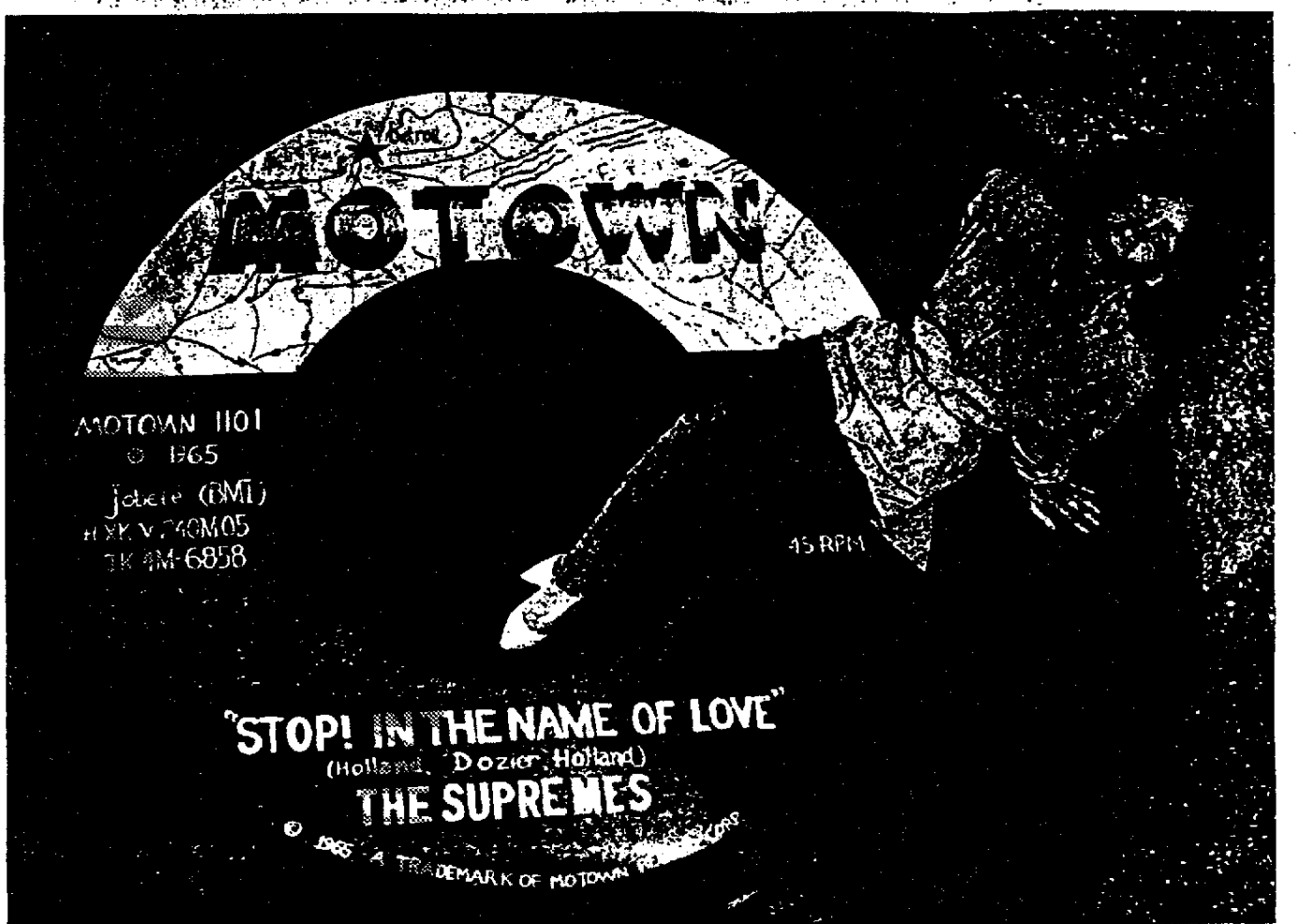
AFTER DECADES OF SILENCE, RAYNOMA SINGLETON IS SINGING THE BLUES ABOUT HER EX-HUSBAND BERRY GORDY



She was a hungry, ambitious 20-year-old who had studied music and won an amateur singing contest in Detroit; he was an unkempt ex-boxer who was struggling to make it as a record producer. It was an offbeat match from the first, but it lasted long enough for Motown czar Berry Gordy Jr. to build an empire—and for his wife, Raynoma, to lose one.

A late-summer day in L.A., and Raynoma Gordy Singleton, 53, is sitting in the study of the sleek house where she lives with ex-husband Ed Singleton, a music producer, and his wife, Barbara, who invited her to move in when she hit a financial low. It is here that she worked on the just published *Berry, Me, and Motown*—her take-no-prisoners memoir about her partnership with Gordy—and where she exorcised the demons that have been haunting her for decades. Buoyant, compact, she has the air of a woman who has been relieved of an enormous burden.

If Raynoma is at peace, however, Motown founder Gordy (who sold the company in 1988 for $61 million) has every reason to be rankled by her version of their years together. By her account, he was an unfaithful husband and a rank opportunist who fast-talked her out of her share of the company she helped him build. As if that weren't enough, her book offers up an insider's view of his affair with the young Diana Ross, which produced a child, 19-year-old Rhonda.

Gordy's L.A. office says he has not read the book, but his special consultant, Michael Roshkind, who has, calls it "trashy and false. Raynoma is an opportunist. . . . What did she really have to do with building Motown—with Michael Jackson, Diana Ross and Stevie Wonder? She's trying to capitalize on other people's success."

"To me," says Motown veteran Singleton, "Berry Gordy was one of the most selfish people on earth."

Counters Raynoma: "I just needed to be recognized. In 30 years I never got a chance to tell Berry how I felt or what I'd been through."

It was the fall of 1958 when Raynoma Mayberry Liles—the daughter of a Cadillac, Mich., janitor—met an eccentric entrepreneur named Berry Gordy. Desperate to make it as a singer and songwriter,

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▲ Raynoma calls Diana Ross (with Berry and the Supremes in 1967) "similar to Berry: she goes after what she wants."

► Smokey Robinson, rear, and Stevie Wonder jammed with a piano-playing Gordy, left, at his home in 1964.

▲ "I would have carried on with my career," says Raynoma (with Gordy in 1960), "but I put my energy into him."

PAGE 3

Raynoma auditioned for Gordy, then 29, who was running a fledgling music business out of his sisters' houses in Detroit. The son of a successful businessman, Gordy was a hardworking sort who, in addition to boxing, had run a record store and labored on the Ford assembly line before turning his hand to producing records. To Raynoma, "he reeked of creativity and excitement and showbiz," she says.

Impressed with the shapely Raynoma, Gordy brought her into the business. With perfect pitch and a strong background in arranging, she had the skills he needed to develop local acts like the Miracles and the Satintones. She also was willing to let Gordy dominate her life. When she sensed that his sisters were weary of hosting Berry and his musicians, she offered the cramped apartment she shared with her toddler son, Cliff, the product of a teenage marriage. There, she and Gordy began Rayber Music, a shoestring operation that helped aspiring artists launch their songs.

Although Raynoma was wildly infatuated with Berry, who was married and had three children, the two slept in the same bed for weeks before partnership blossomed into romance. As they became more intimate, she claims he told her that he "had a few girls" in the red-light district. Raynoma was shocked to think of her beloved acting as a pimp, but soon afterward, frantic for money for bills, she allowed a woman who lived across the hall to set her up with a client. Berry, she says, never asked where she had gotten the extra $17.

Working frenetically over the next few months, the two managed not only to get Rayber rolling but to start up Tamla Records, which released such hits as the Miracles' "Shop Around." Raynoma—then three months pregnant—made what she regards as her first mistake: After registering Tamla and their new publishing company, Jobete Music (said to be worth as much as $200 million today), she removed her name from the legal papers. (A Berry spokesman says her name was never on the papers.) "Berry said it was a formality, that he would always take care of me," she says.

Only when their son, Kerry, was nearly a year old did Berry agree to divorce his first wife and marry Raynoma. Wedlock, however, did nothing to heighten her sense of security. After the ceremony the groom spent the night away from home—with another woman, she claims. "I was sick, confused, frustrated, disgusted, disbelieving," Ray says. Berry denied being unfaithful and managed to calm her, but the nightmare continued. Soon she was receiving dead-of-night phone calls from his lover, who taunted her by saying that Gordy had just left her bed. Still Raynoma stood by her man. "It was bigger than just the marriage," she says. "We had a company to think about."

It was the company, and not the marriage, that survived. In 1963 it turned out that Berry's mistress was pregnant. Ray-

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LITTLE RED ROTTING HOOD– A tale of consumer rights, insurance companies and some very well-disguised auto parts.

Once upon a time, the difference between imitation auto replacement parts and genuine parts were obvious. Even the naive consumer could see through the disguise; cheap parts made of imitation sheet metal didn't fit right or provide reliable protection against corrosion. And publicity from a few concerned automakers quickly convinced consumers to request genuine parts for body work, and nothing less.

Enter the big bad wolf.

The plot thickens. Dawns the day of an automotive parts association established by auto insurance companies. They begin pushing non-genuine parts–to body shops and innocent grandmothers alike–through a system that okays parts for car repairs based upon the lowest price, not on quality or consumer preference.

Today, 31 states have passed laws requiring insurance companies to tell us when they specify non-genuine parts. But, we're still not out of the woods.

A new, well-disguised quality certification process promotes the spoof that imitation parts are equal to original equipment quality.

Imitations aren't covered by most automakers' original corrosion warranties. Nor do they provide us with the peace of mind or replacement value insurance companies owe us in return for their costly premiums.

Ohh, what a big mouth you have.

At this point, using it to speak up for your rights is possibly your only defense. Deceptive part-approval tactics are in place. Many if not most insurance companies are ready and willing to specify cheap imitation parts for auto body work. Unless we cry wolf and virtually demand genuine parts from our insurance companies, a little red rotting hood or door panel will be something we'll just have to swallow.

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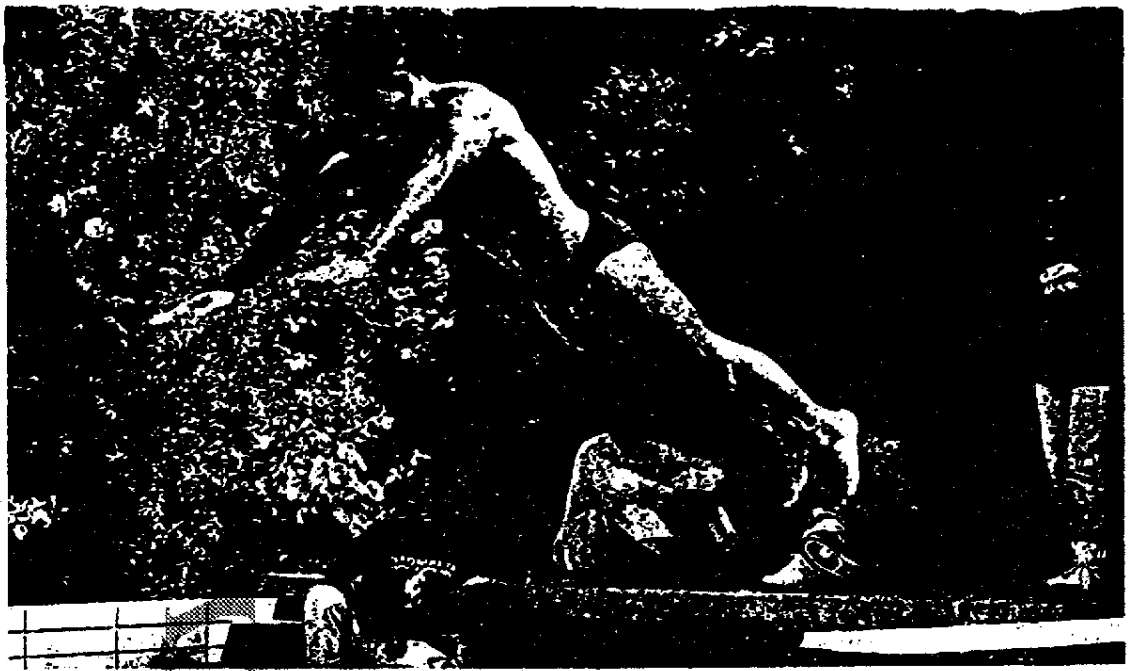

► At the Singletons', son Cliff Liles dives for Ray, half-brother Eddie (center) and Ed Singleton's other sons, Keith and Daren.

▼ Ray spends time in the Sound City studio with daughter Rya, who hopes to launch her own singing career.

noma left Detroit to open Motown's first New York City office. At odds over budgets, the two eventually came to a showdown when Raynoma arranged to sell bootleg copies of "My Guy," by Motown's Mary Wells, in order to raise operating funds for her office. The FBI found out and arrested her. Gordy, she writes, offered to drop the charges only if she signed a "general release from Motown and all of its entities." She complied. When they divorced in 1964, he gave her a settlement that included a lump sum of $10,000, $1,382 in alimony each month for 10 years and $150 in monthly child support until Kerry was 18.

Married to Singleton in 1966, Raynoma continued to feel herself in Gordy's shadow. She and Singleton moved to Washington, D.C., and tried to reenter the music business, but they were unsuccessful, largely, she claims, because Berry was such a voracious competitor. "He had a lot of clout with people we had to deal with when we were starting up," she says.

Still susceptible to the allure of Gordy and his company, Raynoma went back to work at Motown headquarters in 1967. "I thought they needed me," she says. "Motown was my baby." Her marriage to Singleton failed, and she bounced from job to job within the organization. By 1970, she found herself serving as personal assistant to Diana Ross—a position that provided her with a close look at the romance between Gordy and Diana. As Raynoma tells it, she was on the road with Ross in 1971 when the pregnant Diana (who married her personal manager, Robert Silberstein, two weeks later) called Gordy asking whether or not he intended to marry her. Raynoma can only speculate that Berry's answer was no because, she says, "he doesn't take any ultimatums."

Eighteen years after she had returned to the fold, Raynoma was fired by one of Gordy's assistants, who told her only that the company was paring costs. "I was shocked," she says. "I couldn't believe it." Picking herself up, she tried to establish herself as a talent manager, but the going was slow. The final blow came when Berry sold Motown. Says Raynoma, "I really expected that when the company was sold, there would be something there for me."

These days, Raynoma spends much of her time overseeing her children's careers: Kerry, now 31, has launched his own record label, and daughter Rya Singleton, 23, is pursuing a singing career. Son Cliff Liles, 34, is a bassist, and Ed Jr., 24, works for an executive at Warner Bros. records. "It's all heredity," Raynoma says. "They're just jumping off, and this is my new career."

By her account, she has come to terms with Gordy and her past. "I feel like my life with him has been a huge chess game, and that I've won," she says. "He's got all the money, but he didn't end up with the appearance that he wanted, that perfect person who helped the Boy Scouts." And while others might see her as vindictive, she says, "I had no choice. I could have continued to protect his name, but I would have been a martyr." —*Michelle Green, Lois Armstrong in Los Angeles*

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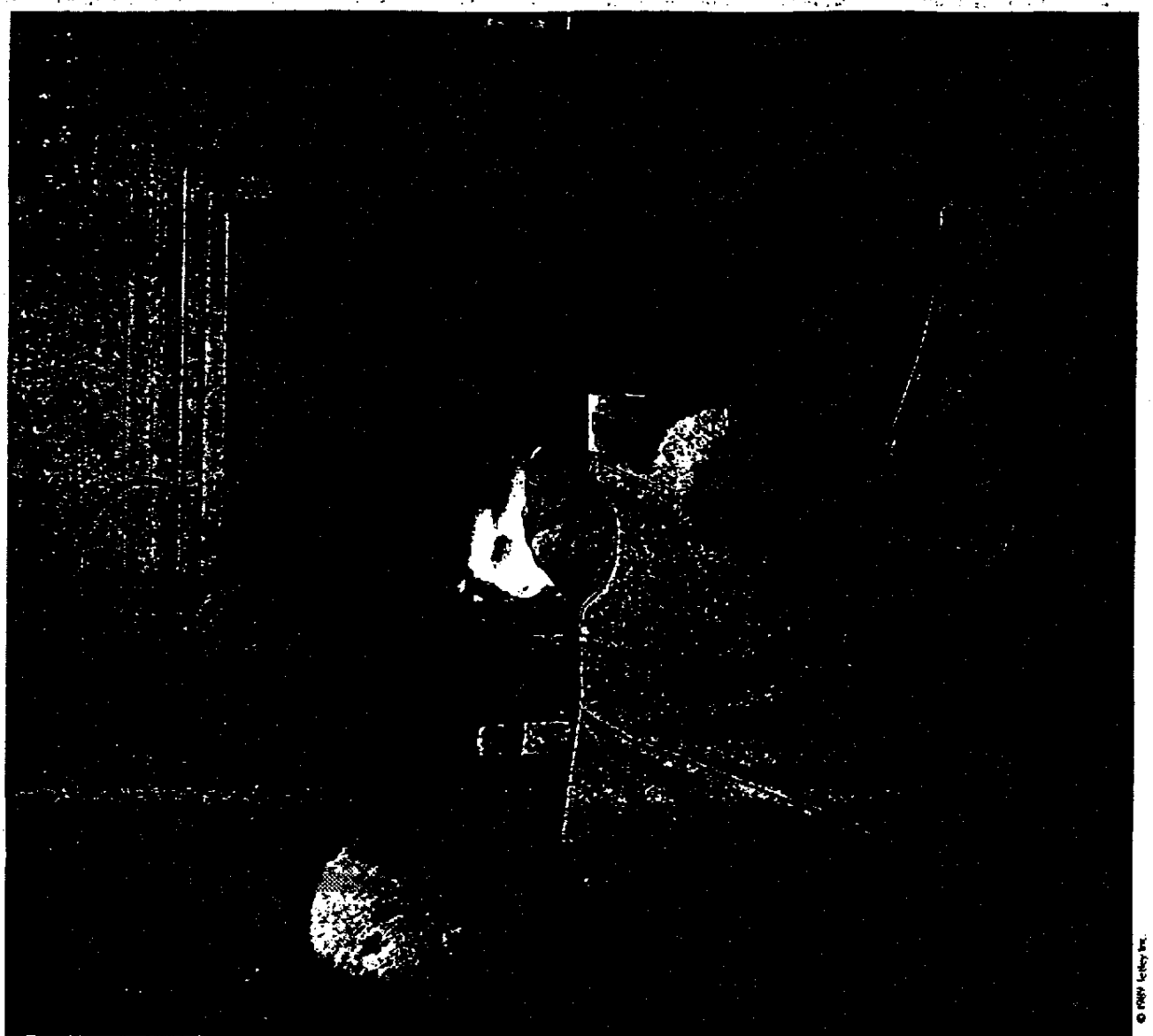

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SEQUEL

THE HUNT FOR BAMBI COMES TO AN END AS CONVICTED KILLER LAWRENCIA BEMBENEK IS CAPTURED WITH HER LOVER IN CANADA

Even in her workaday black slacks and white shirt, Jennifer Gazzana looked elegant—maybe too elegant for a waitress at the Columbia Grill & Tavern. Gliding among the orange vinyl booths at the restaurant around the corner from a Thunder Bay, Ont., police station, "She looked more like a good-looking lady, with a nice figure and all that," regular customer Ron Mauro recalls. "I thought she could have been a model."

So Jennifer was easy to spot on Oct. 17, when Thunder Bay Police Det. Ron Arthur came looking for a 5'10", 135-lb., 32-year-old woman who was being sought by U.S. authorities. But after examining her birth certificate and comparing her face to a blurry, faxed "Wanted" photo, he declared that Jennifer was "not the person we want" and walked out.

"Does he think I robbed a bank or something?" an apparently mystified Jennifer asked her boss, Louis Kebezes. Then she hurriedly placed a phone call, and moments later a call came for her. "My mother has passed away," she announced after hanging up. She tearfully hugged one of the kitchen workers, said goodbye and walked out the back door.

Kebezes never saw Jennifer Gazzana again. In fact he had never seen Jennifer Gazzana at all. For the statuesque, blue-eyed woman who had answered the help wanted sign in his window on July 21 was not Jennifer Gazzana, but Lawrencia "Bambi" Bembenek, a onetime Playboy

Asked by *Wisconsin Woman* magazine last year what she would do in her first hour of freedom, Bambi replied, "Have sex."

Produced by UCSF in collaboration with the CHAMPIX Program

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◀ Bembenek was working as a security guard when arrested for murder in 1981.

▶ Bambi's then husband's ex-wife, Christine Schultz, was shot with a police revolver.

▼ Ex-cop Elfred Schultz Jr., a Florida contractor, is studying respiratory therapy.

SEQUEL

Bunny and pinup model, a former Milwaukee cop, a convicted killer and—for three months—one of the most celebrated fugitives since Bonnie ran off with Clyde.

Sentenced to life in prison for the 1981 murder of Christine Schultz, her then husband's ex-wife, Bembenek had for nine years proclaimed her innocence. The only eyewitnesses to the crime had been Christine's two little boys, who said the intruder who shot their mother in her bed was a large, stocky man. But the fatal shot was fired by a revolver belonging to Bembenek's husband, Milwaukee Police Det. Elfred Schultz Jr., who was on patrol in another part of town at the time. A hair found on the victim was similar to Bembenek's own. A web of circumstantial evidence convicted Bembenek, but her trial left so many doubts that defense attorneys appealed the verdict three separate times. Wisconsin's appellate courts declined to overturn the conviction, most recently in a decision handed down last June.

With her legal avenues exhausted and no chance of parole until at least 1993, Bembenek, as she later explained to a reporter, was "incapable of further withstanding the mental sodomy of the prison system." On July 15 she squeezed through a basement laundry-room window at the Taycheedah Correctional Institute, crossed a seven-foot, barbed-wire-topped fence and vanished. Milwaukee factory worker Dominic Gugliatto, 35, the brother of another inmate, disappeared the same day. Gugliatto had met Bembenek at the prison last year, fallen in love with her and—despite the fact that Wisconsin does not allow conjugal visits—planned to marry her in a prison ceremony set for Aug. 5. The fugitive couple, observed Gugliatto's father, Ed, were "on the run seeking love, justice and freedom."

Much of Milwaukee wished them well. RUN, BAMBI, RUN T-shirts sold briskly. Three-fourths of the 15,500 people who phoned in to a WISN-TV poll after her escape said they believed in Bembenek's innocence, and 72 percent of callers to a radio station said they wouldn't turn her in. But after her likeness was shown on the Oct. 12 *America's Most Wanted* TV program, an anonymous California man called the show and said that a woman resembling Bembenek had waited on him as he traveled through Thunder Bay.

"The game is over. We know who you are," the police announced when they confronted Bembenek and Gugliatto hurriedly

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SEQUEL

packing up their basement apartment on Oct. 17, shortly after her questioning by Detective Arthur. The detective's avowed lack of interest in the Columbia Grill waitress had been a ploy for time while a check was run on "Jennifer Gazzana," who turned out not to have legally required working papers. "It's sort of a relief we can use our real names," Gugliatto admitted during questioning. He and Bembeneck surrendered quietly and were locked up to await extradition. "Just 10 minutes more and we could have gotten away," Bembenek told a reporter from jail. "One of my biggest regrets is that we were never able to get legally married."

Plans for the nuptials will probably be put on hold for a while. Bembenek's escape won't please her parole board and is itself a crime punishable by five years imprisonment. What's more, Wisconsin authorities plan to send her away to a federal penitentiary since the state's only women's prison couldn't hold her.

As for Gugliatto, his future appears almost as gloomy. A heretofore law-abiding citizen, he got involved with Bembenek only after spending hours poring through newspaper clippings about her case to assure himself of her innocence. Now he could face up to five years in prison for aiding her escape. He has also risked losing the affection of his three young children, for whom he had faithfully paid child support until he hit the road with Bambi. "They think he doesn't love them," his ex-wife, Juanita, said shortly after he disappeared. "They say, 'He dumped us for her.' " Juanita expressed skepticism about Bembenek's innocence: "Someone that innocent and nice doesn't convince someone to take off when he has responsibilities."

◀ Dominic Gugliatto posed with his fiancée, Bembenek, in prison earlier this year.

▲ "I'd hire her back," says restaurant owner Louis Kebezes of Bembenek.

Bembenek's ex-husband, Fred Schultz, concurs. Now remarried and running his own contracting business in Cape Coral, Fla., the former cop contends that Bambi's escape attempt "was a confirmation of her guilt. It's just that simple."

Bembenek maintains her innocence. As Detective Arthur accompanied her to the Thunder Bay jail, she explained how she had been framed for a murder she did not commit. The detective was not fully persuaded. "I've been in this business a long time. I've seen lots of people I wouldn't think were murderers. They don't have it stamped on their foreheads," he notes. Bembenek sounded credible enough, but, he says, "It could be that she's told her story so often she believes it herself."

—James S. Kunen, Beth Austin in Thunder Bay, Lynn Emmerman in Milwaukee, Marilyn Balamaci in Cape Coral

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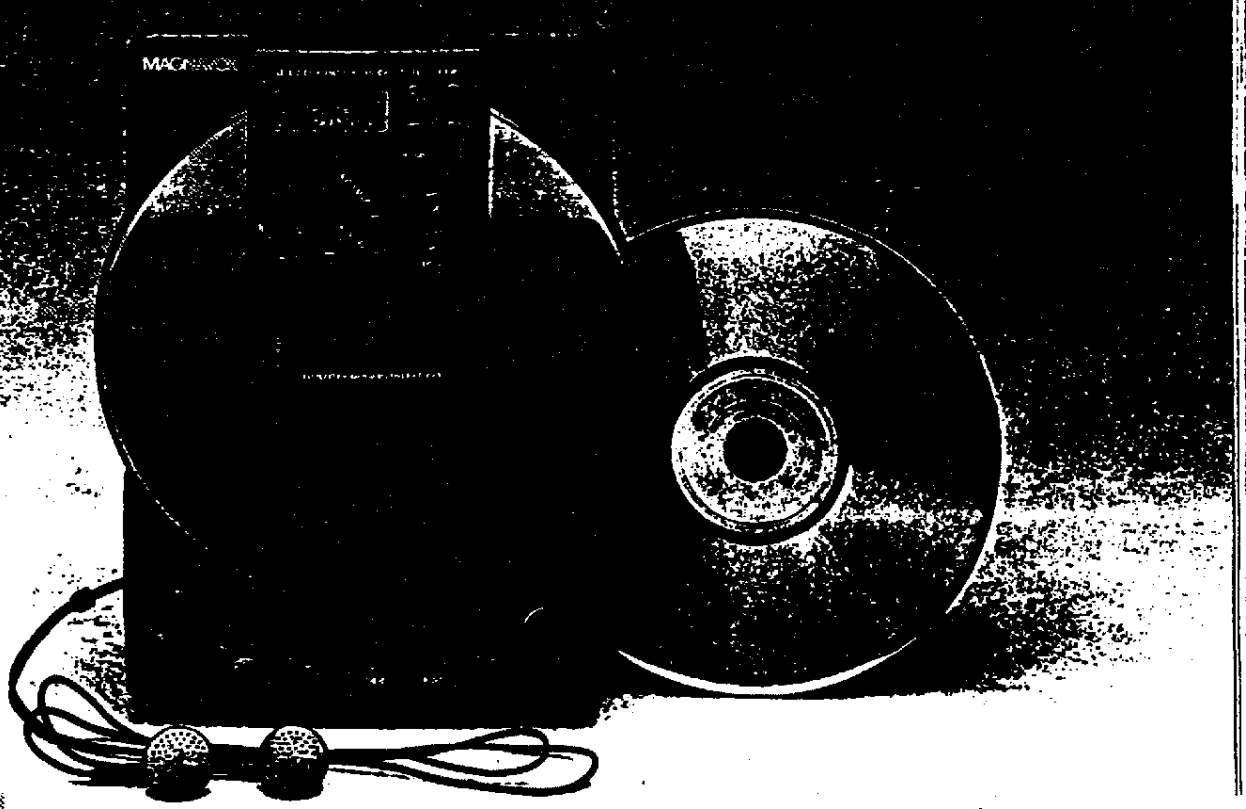
Very Smart.



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It's a bore," says Katharine Hepburn. "B-O-R-E, when you find you've begun to rot. First I smashed this ankle"—she waggles it—"in an auto accident in '82, and after that I walked in a funny position. Threw out my back." She shrugs. "I'll live forever, but I may not be able to move."

So she claims. This morning, though, Hepburn is fully ambulatory. In fact, she doesn't just cross a room. She's a zoomer. The mere sound of her step on the stairs, as she descends from her bedroom here in her east Manhattan town house, can send word flashing among the staff: "She's down!" At 83, somewhat hunched now, she still has the vitality of a flapping electrical wire.

At this moment, at rest in the living room, her legs crossed as idly as a teenager's, the actress is reciting her regimen. She rises before dawn. Summers, she takes a freezing shower; winters, at her country home, a plunge in the freezing Long Island Sound ("just to irritate people"). She stands on her head for four minutes.

Does she consider herself eccentric? Hepburn thinks that one over. "Somewhat," she says, judiciously.

She has always maintained a steel mesh of Yankee habits, but now she is breaking a big one. Ever since she became a movie star—in 1932, with her first picture, *A Bill of Divorcement*—Hepburn has resolutely guarded her privacy, usually treating the press as a bunch of low peepers. So some surprise attends the publication this month of a book of photographs, *The Private World of Katharine Hepburn*, shot over the past 15 years by John Bryson. It amounts to an auctioneer's inventory of her homes, along with dozens of shots of, among other things, Hepburn playing Parcheesi, washing chicken and lying in bed, haggard in hair curlers. What's more, here she is in her own house doing an interview. How come?

She laughs. "Soon it will be too late," she says. Her voice quavers and cuts, like an old czarina's. "And I'd rather do this myself than have others do it after I'm dead. They never get things straight."

It's hard to blame them. This living room alone, sumptuously old-fashioned, with its basic-black rotary-dial phone and folk-art rug, is strewn with scores of little objects only Hepburn could catalogue. Some turn out to be tiny sculptures of the lady herself: in tennis costume, in a sun hat, as Shakespeare's Cleopatra. . . . Through an archway is visible a fine, large portrait of Hepburn, chin in hand. What saves the place from seeming like a shrine to herself is the spill of other curios here.

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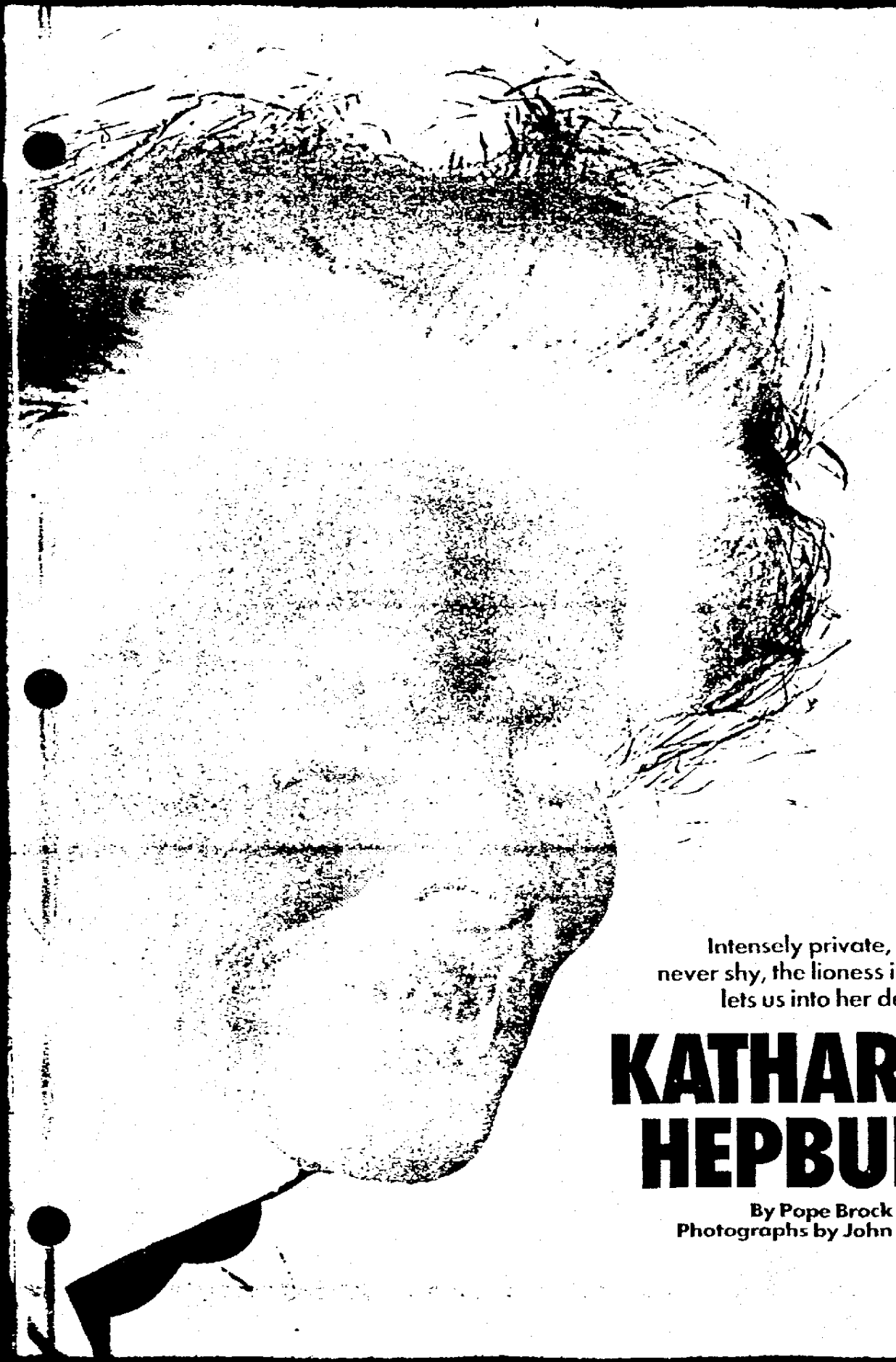

BIO

Intensely private, but never shy, the lioness in winter lets us into her den

KATHARINE HEPBURN

By Pope Brock
Photographs by John Bryson

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including pre-Columbian statuary, lumps of crysta.. a winning Wimbledon tennis racket from Martina Navratilova and a vast assortment of gawky sculpted birds.

From her living-room window Hepburn can look out across the back garden at the home of Broadway composer Stephen Sondheim. Several winters ago, when he was plunking out *A Little Night Music* on the piano at 4 A.M., she paid him a surprise visit. "I walked barefoot across the garden," she says, "through snow this deep, in my pajamas." Draping herself against his window, she stared in at him like an evil angel. Sondheim glanced up and froze. Then she vanished. "I've never heard another sound from him," says Hepburn cheerfully. "We bow when we meet in the street."

As full of charm and clutter as Hepburn's town house (purchased in 1957 for $27,000) is, however, it is basically a grand pied-à-terre. Her true home is Fenwick, on the Connecticut shore. Ever since 1912, when her father first began summering the family there, Fenwick has been her heart's ballast. Hepburn has always clung to family in particular, she has a reverence for the memory of her mother and father that rivals the Chinese. In her words, "The single most important thing anyone needs to know about me is that I am totally, completely the product of two damn fascinating individuals who happened to be my parents."

They were a formidable pair. Her father, Thomas Norval Hepburn, was one of Hartford's foremost surgeons; he became notorious around 1910 when he marshaled a national campaign to publicize and find a cure for venereal disease. Meanwhile, his wife, Katharine Houghton Hepburn, was a leading tub-thumper for women's rights; she was among the first supporters of both Planned Parenthood and the League of Women Voters. As a tot, daughter Katharine was blowing up balloons for suffragette parades and staggering about with signs saying VOTES FOR WOMEN. "They were interested in saving the human race," says Hepburn today, "and they had the nerve to be unpopular." They succeeded. Town leaders were always getting their knickers in a twist over the Hepburns' crusades. "So we were snubbed as kids," says the actress, "and that made us strong."

Not just strong: The Hepburns were exuberantly self-sufficient. There were six children (Kate was the second), three boys and three girls. It was a Kennedy-style clan, all-for-one, sports-mad; while at the dinner table "every conceivable top-

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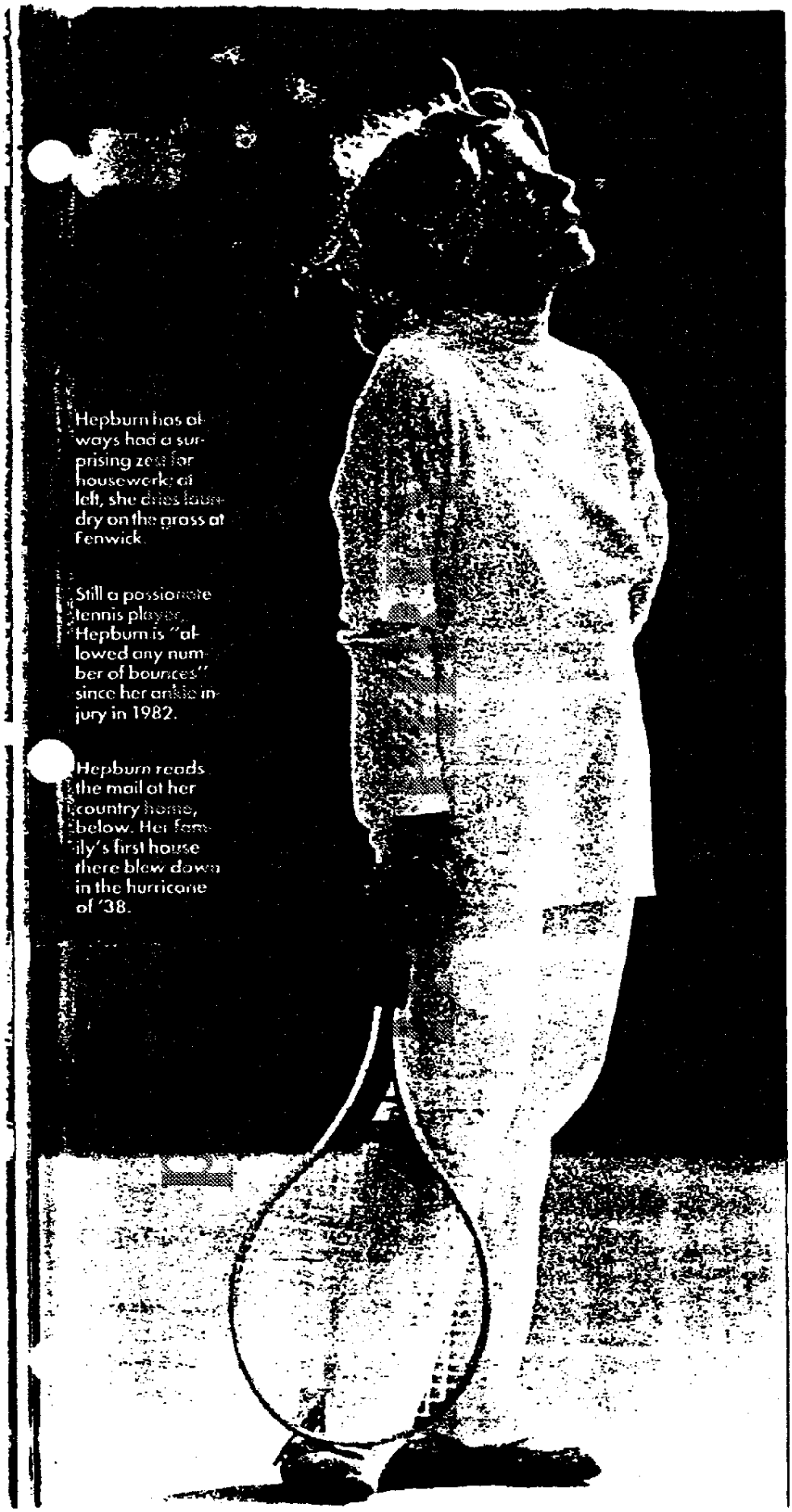

Hepburn has always had a surprising zest for housework; at left, she dries laundry on the grass at Fenwick.

Still a passionate tennis player, Hepburn is "allowed any number of bounces" since her ankle injury in 1982.

Hepburn reads the mail at her country home, below. Her family's first house there blew down in the hurricane of '38.

ic was discussed—venereal disease, prostitution, feminism, Marxism, Darwinism, Fabianism, even nudism."

Perhaps life at the Hepburns was a little too splendid. "I was very close to my family," says the actress, "so I didn't need to go outside for entertainment." As a result, she says, "I don't make friends easily to this day." Her lone-wolf tendency was certainly reinforced by the suicide of her older brother, Tom, at 15. He hanged himself, and Katharine found the body. Hepburn believes it was a prank gone awry, but whatever the truth, she says, "It made me into a slight recluse."

Overall, though, she looks back on a luminous childhood, and she credits that legacy from her parents—everything from her cheekbones to her "nerve to burn"—with helping to make her an immediate star in Hollywood. "I was also lucky to just hit it right," she says, "with the pants and the sort of dégagé air. . . ." To date she has made 42 movies, earning 12 Oscar nominations and winning four times, more than anyone else. Her work, mannered at times, has nonetheless been extraordinary in its range. Who among her contemporaries could shine, as she has, in both *Bringing Up Baby* and *Long Day's Journey into Night*?

But over the years, almost as striking as what Hepburn has done is what she has not done. While venerating her parents' example ("I was brought up to believe the most important thing you can do is to better man's position in the world—and woman's"), she has rarely campaigned for social causes herself. Even during the Hollywood blacklist—though she did make a speech against film censorship—she largely stayed out of the fray. "I didn't go in for a great deal of protesting," she says. Perhaps she has become more socially conscious in recent years. "I don't know," she says blandly. "Have I?"

Well, as a supporter of reproductive rights, she has lent her name to Planned Parenthood, her mother's old cause, and last month she invited for dinner two ex-nuns, Barbara Ferraro and Patricia Hussey, who bucked the Vatican on abortion rights. Still, Hepburn has sometimes wondered aloud if she might have let her parents down. She once told screenwriter Garson Kanin, "I think [Mother] thought of most of the things I did as being sort of la-di-da commercial. . . . She didn't think the things I did had enough to do with what really mattered in the world. . . ."

And yet the great paradox of Hepburn

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BIO

is that by being, as she calls herself, "an aggressive, self-involved mutt," she has become a social force after all. Her courage and brio have made her inspiring to three generations of women.

"Isn't that funny?" she says. "I am aware of that. I think that's because I've been independent, don't you? Because I chose a road and stuck to it."

Long ago, in 1928, Hepburn made a false start at the conventional life, marrying an insurance broker and sometime inventor named Ludlow Ogden Smith. But she parted from him after six years and thereafter, as she likes to put it, "lived like a man." (She had already lived like a boy. From the ages of 9 to 13, she had shaved her head and called herself Jimmy.) Early on, Hepburn also ruled out having children, a decision she says she has never regretted. "I had such a wonderful upbringing," she says, "that I had a very high standard of how a mother and father should behave. I couldn't be that way and carry on a movie career."

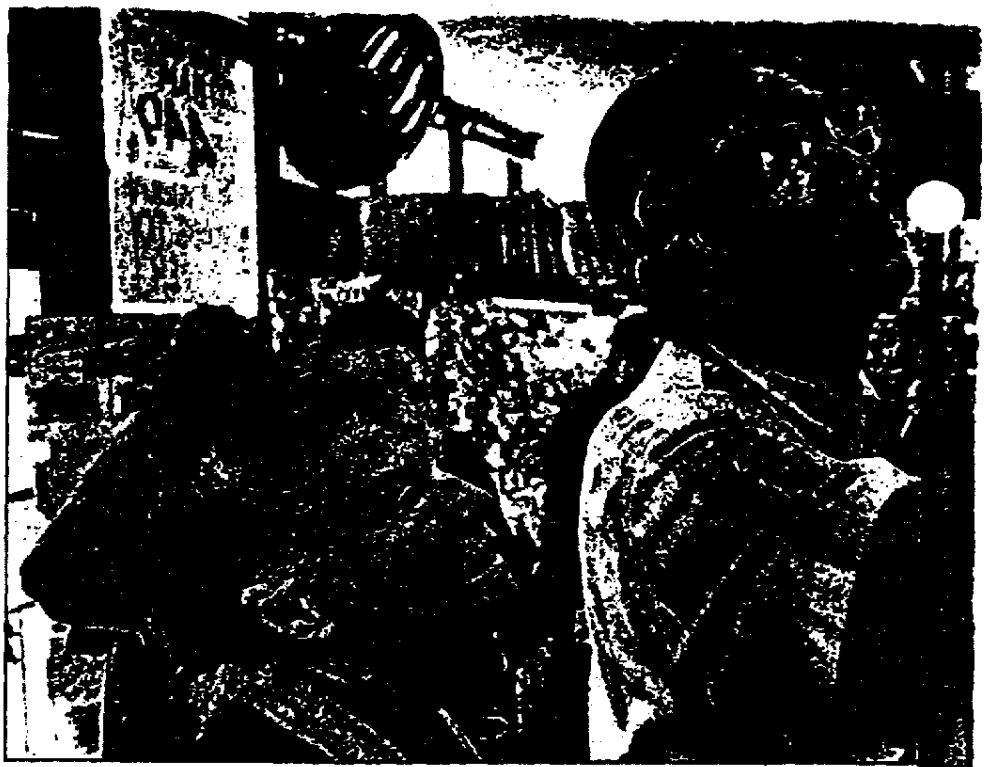
However, Hepburn continues, "Nobody's completely independent"—an observation that leads her into some startling ruminations on the balance of power between the sexes.

"Women have been the slaves of men," she says. "Now they're less slavish. And sometimes to my way of thinking they should be a little more slavey. Then they'd have more fun. The relationships would work better if a man could protect and a women could do her chore of making him feel great. Someone's got to make someone feel great."

This is hardly what one would expect to find in the Hepburn handbook. "I know. But I think men and women have a sort of obligation between them," she says, "to make life attractive and picturesque. And I think that's one way of doing it.

"I mean, I can carry the logs up from the cellar and build the fire. I do all that. But if I were married to someone and I did it and he was sitting reading the paper, I would like him to feel"—Hepburn, as she often does, is laughing now—"that he's a lazy son of a bitch."

Perhaps her views here are colored by her life with Spencer Tracy. He was already married when they were partnered in 1942's *Woman of the Year* (the first of nine movies together). Yet they sustained a fabled romance for more than 25 years, until his death. She once said she changed her style around him. ("I stopped being



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Hepburn has been shopping at Walter Kozey's grocery store in Old Saybrook, Conn., for more than 30 years.

At far left, Hepburn lunches in New York with staffers (from left) James Sarzotti, hairdresser; Michal Bigger, makeup; and secretaries Sharon Powers and Phyllis Wilbourn.

At Fenwick (far left, below), Hepburn chops and saws her own firewood—and scales trees that need pruning. She has never hired a gardener.

On the set of *On Golden Pond* (left, in 1980), Hepburn rolled her hair in curlers homemade from newspaper to absorb the water.

loud and bossy. Oh, all right. I was still loud and bossy, but only behind his back.") Did she accommodate herself to Tracy? "Yes," she says. "Because life has been easy for me, and I think life was difficult for him. So we fell into a certain kind of behavior. I enjoyed it."

Suddenly she sits up. "Do you want to see something?" She sprints for the stairs. An instant later she has reached her bedroom and is plucking up something from her night table.

"Here's Spencer!" she cries. "Oh, he's falling out of his frame. Don't look. Don't look. Turn your back. . . . All right."

She holds a small painting of Tracy she did many years ago. At least she says it's him; seated in an armchair, he is reading a newspaper that obscures his face.

"I thought he had a great face," she says, "but I couldn't paint it. I could paint his silhouette." Now she produces a two-inch bronze head of Tracy. It fits the hand like a grenade. "Then I did this of him," she says. "I think that's rather good. I'm just sorry no one really did him because he had a great, great head. . . ."

Though she may be alone these days, Hepburn is hardly solitary; she lives in a surge of family, staff and old friends. Besides painting, she says, trooping back downstairs past several of her own canvases, she reads through scores of new scripts; she mostly doesn't like them ("terrible old ladies") and doubts she will act again. She ventures out to galas ("I'll be at the Kennedy Center in Washington Dec. 2. I think I'm one of the honorees"). She doesn't go to church: "I'm not opposed to religion. I just never found it a necessity." Is she afraid of death? "Not at all. Be a great relief." She smiles benignly. "Then I wouldn't have to talk to you."

Still, it's good practice for next August, when her autobiography appears. That will really have the media leaping and squeaking for interviews. With a $4.25 million advance, the actress spends much of her time these days writing it, in longhand on legal pads. "It hasn't a beginning, middle, end," she says. "It's a bunch of stories. Observations."

She also goes to the movies. The other evening she saw Clint Eastwood's *White Hunter, Black Heart*. Years ago, says Hepburn, she tried to get that book—about John Huston's big game hunting while on location for *The African Queen*—made into a movie. "My conception of it would have made a brilliant picture," she says. "I wanted to play the lead. Thought it would be more interesting to have a woman going against the elephants." ❑

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"Voters know polluting the environment is more expensive than cleaning it up," says Tom Hayden, stumping for Big Green in LA.

HOLLYWOOD HEAVYWEIGHTS TURN OUT IN FORCE TO URGE CALIFORNIA VOTERS TO GIVE THE GREEN LIGHT TO BIG GREEN

California Attorney General John K. Van de Kamp felt edgy as he walked into the Sierra Club library in Los Angeles last month. True, Van de Kamp, a passionate environmentalist, was entering friendly territory, surrounded as he was by playing toddlers, shelves of John Muir and Edward Abbey titles and pictures of Yosemite National Park. And there was no question about where his audience stood regarding Big Green, the sprawling environmental initiative Van de Kamp helped originate last summer. His unease stemmed from the fact that the ballot measure, which once seemed as formidable as a giant sequoia, was suddenly on shaky ground, and Van de Kamp's audience was frustrated by the lack of leadership in the Big Green camp. "Where are the big environmental groups?" griped Carla Howard, a documentary-film producer who helped organize a Big Green concert. "I'd like to see some heavy hitters behind us so this isn't just perceived as some flakeball California initiative." Van de Kamp could only nod in agreement. "We have to do a better job," he conceded.

The test will come next Tuesday, when California voters decide the fate of the most far-reaching environmental referendum ever put before the American people. Two weeks before Election Day, polls indicated that Big Green's supporters still outnumbered its opponents, but voters were voicing concerns about its economic repercussions. If Proposition 128, also known as the Environmental Protection Act of 1990, passes, Californians will impose stringent new controls on government, agriculture and industry. The complex 39-page, 16,000-word initiative calls for the ban of at least 19 carcinogen-containing pesticides, a 20 percent cut in carbon dioxide emissions by the year 2000 (40 percent by 2010), curtailment of offshore oil drilling and private clear-cutting of timber and the creation of a state-elected Environmental Advocate who would have power to override the Governor and legislature in enforcing environmental laws.

How Big Green would affect the lives of ordinary citizens is being hotly debated. Opponents claim that the cost of gasoline would skyrocket, food prices would rise 30

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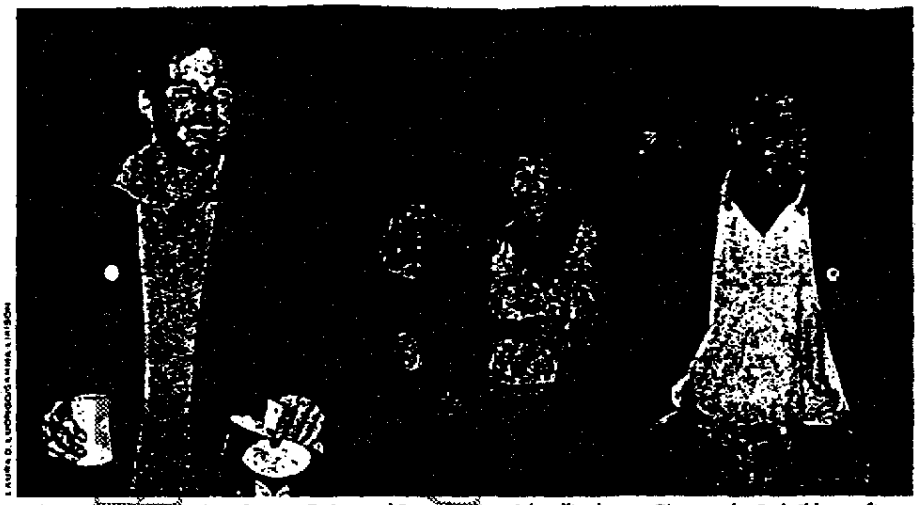

▲ Denn[illegible], Meg Ryan, Evie and Randy Quaid rallied at a Cirque du Soleil benefit.

▲ Twin Peeker Dana Ashbrook, right, urged UCLA student Carrie Walters to go Green.

▲ Crosby, Stills and Nash serenaded the Queen of Green, Jane Fonda, at a benefit.

EARTH

percent and car air conditioners would become unavailable. In addition, they say, produce, formerly treated by banned pesticides, would be harder to find and afford. Counters Jamie Lee Curtis, who has been active in the Big Green cause, in a TV commercial: "We banned Alar on our apples. . . . The chemical companies told us to expect shriveled apples at higher prices. In fact, the only thing that shriveled were the chemical companies' profits."

With stakes so high, both sides have done their utmost to woo voters. Proponents of Big Green have called heavily on Hollywood. Gregory Peck, Jack Lemmon, Paul Newman, Barbra Streisand, Meryl Streep, Madonna and Spike Lee have all contributed to the cause. Meanwhile, Jeff Bridges, Demi Moore and Bruce Willis, Susan Sarandon, Chevy Chase and other stars appeared in a half-hour TV commercial supporting Big Green. "I want my son to dive into a clean ocean without thinking of toxic waste," says director Oliver Stone, "to see the San Gabriel mountains more than once a year, to walk in the woods, not on a parched landscape, and to bite into an apple without worrying about cancer—today and 50 years from now. Is that asking too much?"

Maybe not, but according to opponents of Big Green, the current asking price is too high. Their coalition—pesticide manufacturers, chemical companies, foresters, farmers, power companies and oil interests—reportedly raised a $16 million war chest to fight the measure. "They're making billions of dollars in profit," Cybill Shepherd has said. "They say we can't afford to clean up California. Well, look around. Because we can't afford not to."

As fast as pro–Big Green celebrities speak out, opponents attempt to discredit them. "It's amazing that the promoters of Proposition 128 believe the California voter is so ignorant as to accept expertise about scientific and food safety from the Hollywood community," says Don Schrack, a political consultant hired by the opponents who call themselves No on 128. To emphasize the point, No on 128 forces have enlisted former Surgeon General C. Everett Koop. "I've spent my whole life admonishing Americans to do things to protect and enhance their health," Koop says. "I'm not convinced that Proposition 128 will do anything to protect Californians' health."

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EARTH

No on 128 originally designed its radio and TV campaign to focus on the main conservative Californians love to hate—Tom Hayden, co-sponsor of the initiative. Says Hayden: "They used to call it the Van de Kamp–Hayden Initiative, but after John lost the Democratic primary [to Dianne Feinstein], they deleted him."

In fact it was Van de Kamp who dreamed up the idea for the initiative after numerous environmental bills stalled in the State Assembly. Van de Kamp, who grew up camping in the Sierra Nevada mountains, enlisted Hayden's help, as well as the League of Conservation Voters, the Natural Resources Defense Council, the Sierra Club and Pesticide Watch. Together they gathered about 800,000 signatures last summer, putting the initiative on the ballot.

One immediate result was a flurry of confusing counterinitiatives. One group, calling itself Californians for Responsible Food Laws (CAREFUL)—but backed by agriculture interests—has introduced its own weaker Proposition 135, which environmentalists are calling Big Brown. Another group, the Timber Association of California, is sponsoring a watered-down

◀ Chevy Chase, holding daughters Cydney and Caley, hosted a fund-raiser with wife Jayni.

▲ Attorney General Van de Kamp even went so far as to lobby L.A.'s next generation of voters.

proposition (138), derisively known as Big Stump. Singer Bonnie Raitt dismisses the whole lot of them as "Big Fraud."

Realistically, Big Green's biggest hurdle may come not from organized opposition but from voters' fears about its costs in a faltering economy. The nonpartisan California Chief Legislative Analyst's office estimates that the initiative's direct costs to state and local government may add up to $90 million a year. "People don't think about what alternatives have to be used," says Dr. Katy Wolf, a toxicologist and ozone-depletion expert. "They just want to get rid of the things they believe to be evil. I've become persuaded that [Big Green proponents] are a bunch of elitists who don't know anything about the real world."

Historically, Americans have perceived California to be on the cutting edge of political and popular trends. "If we lose, it will look as if the environmental movement has been unable to translate the energy and enthusiasm of Earth Day into the reality of politics in California," warns Bob Hattoy, regional director of the Sierra Club. Jane Fonda, Hayden's ex-wife but co-campaigner, put it differently in a TV spot: "We're Californians," she says. "We're the most health-conscious people in the world. We work out, we jog and we swim. We play tennis. We eat sensibly. We watch our cholesterol. We don't smoke as much. When you think about it, it's kind of ironic. Because if you can't breathe the air or swim in the ocean, if you can't eat the food or drink the water, what are we for?"

—Susan Reed
Lorenzo Benet and John Hannah in Los Angeles

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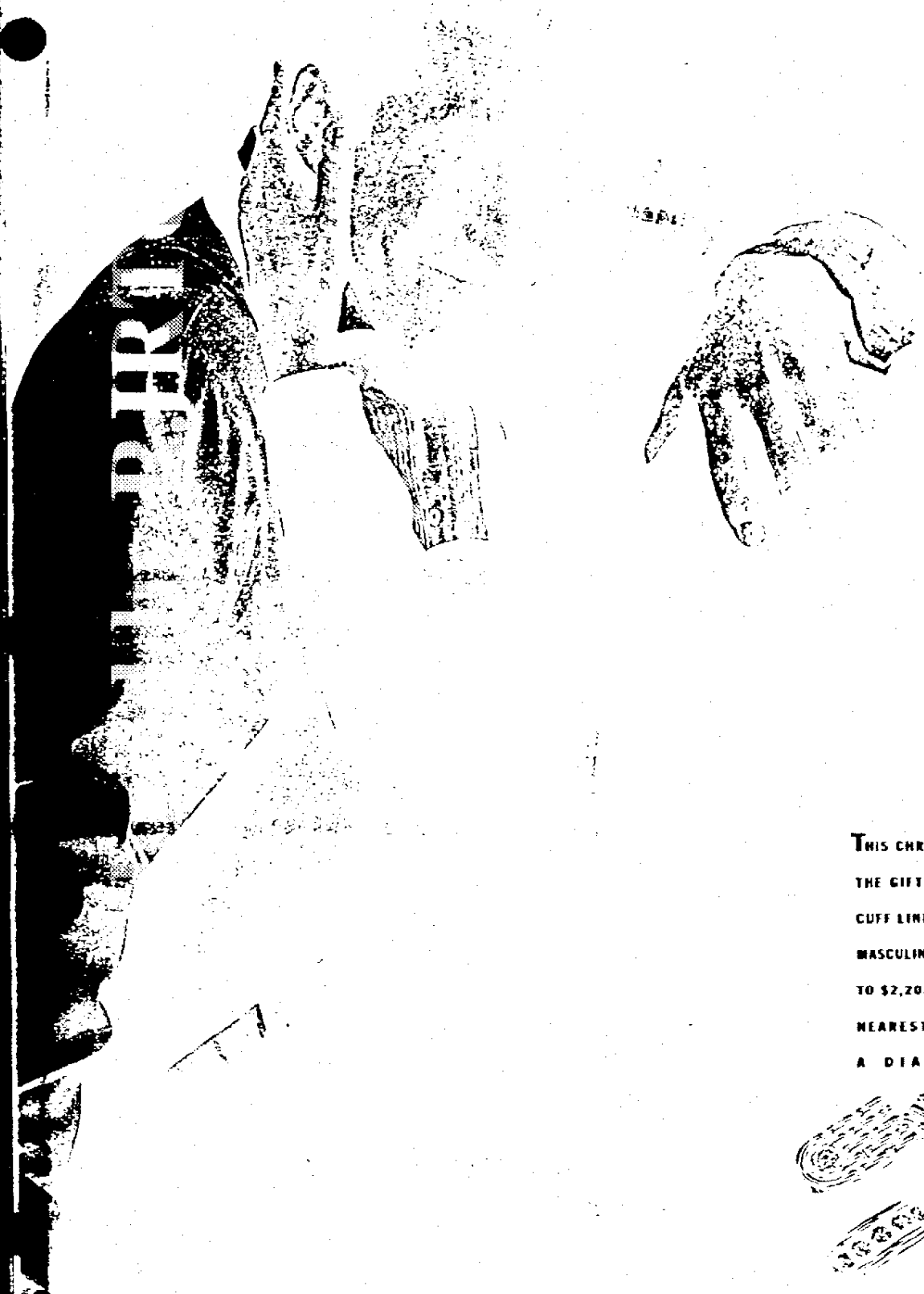

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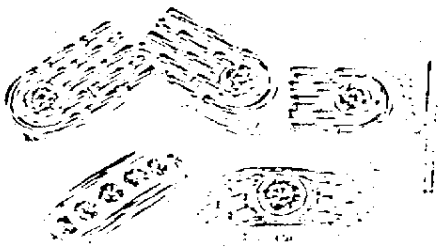

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THE MAN'S DIAMOND

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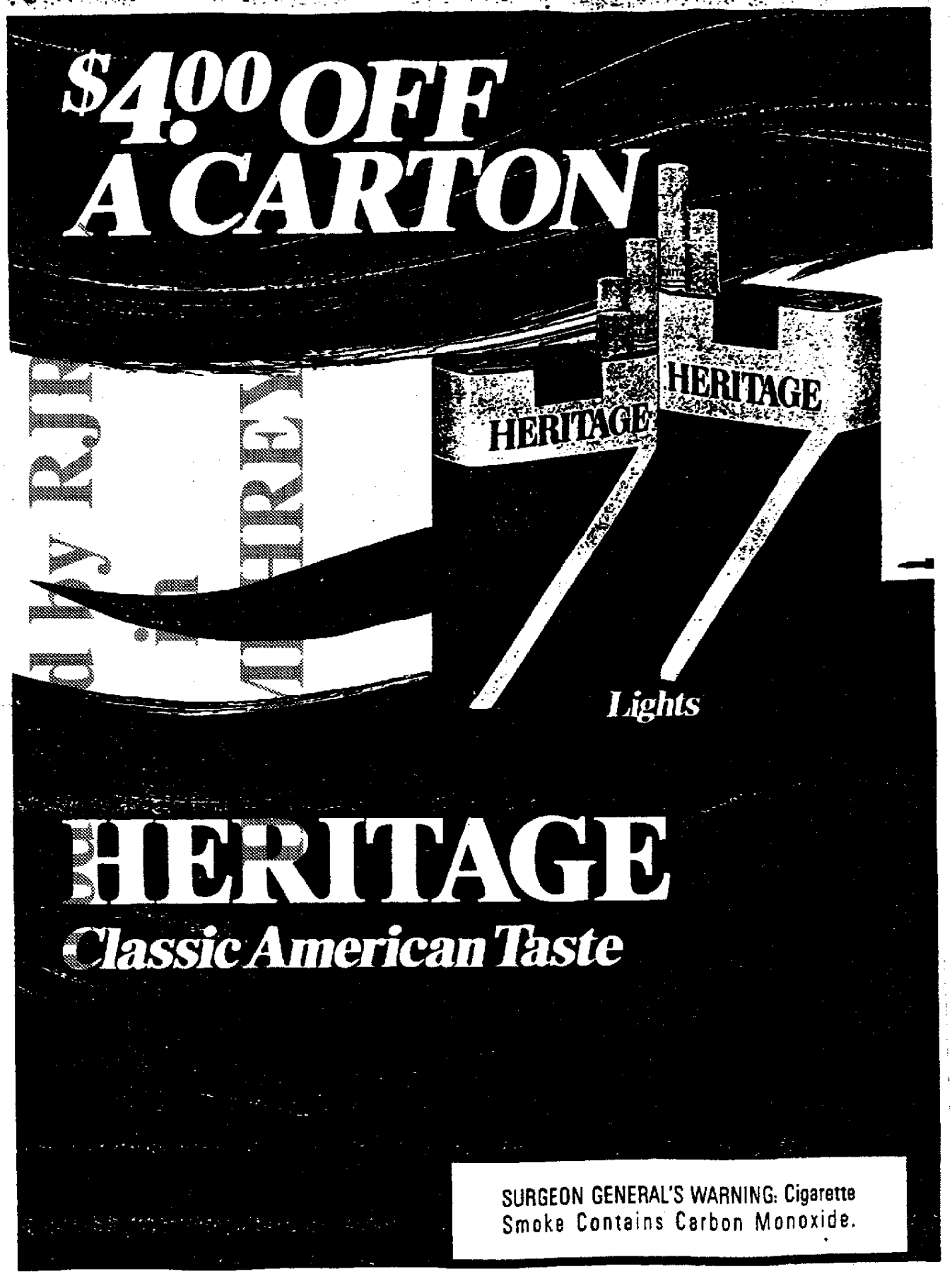

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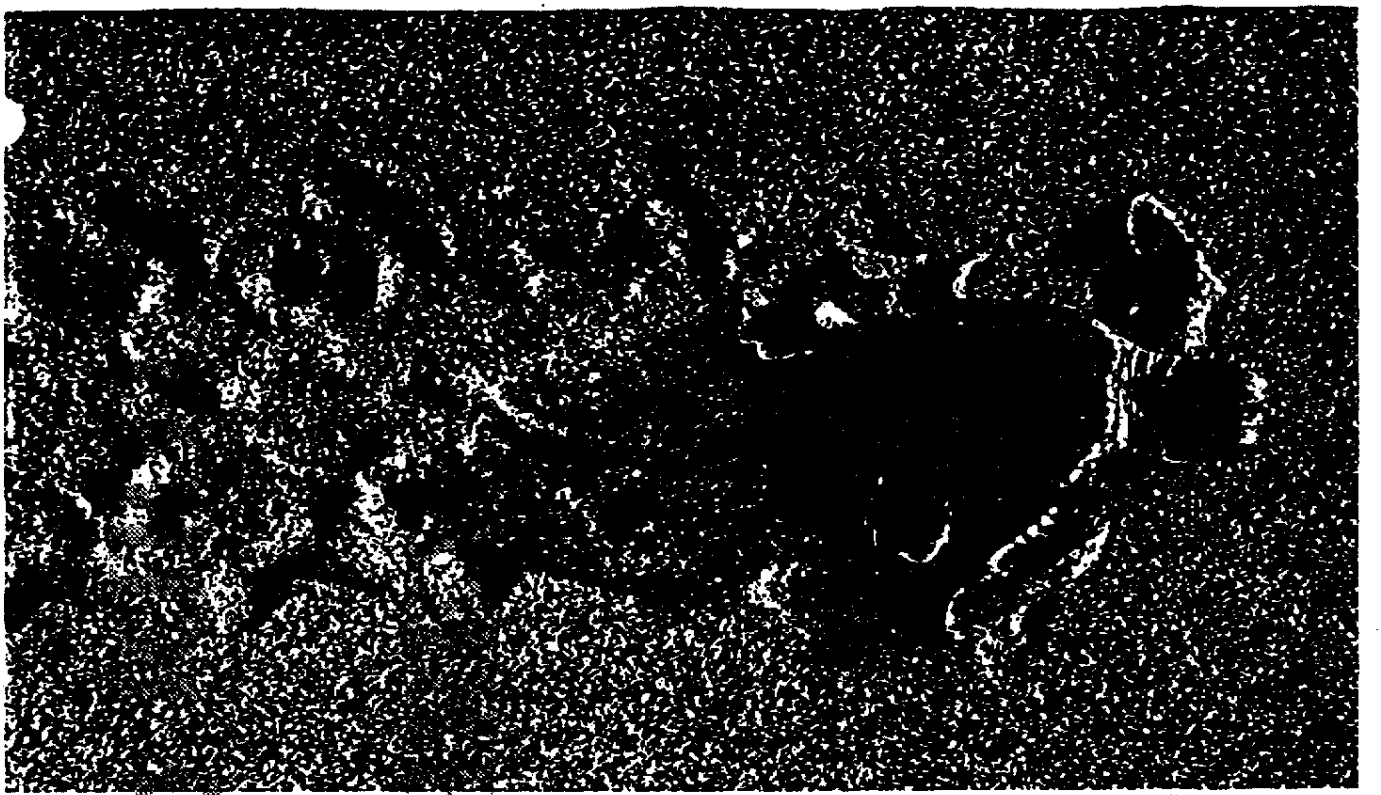

A newly hatched loggerhead turtle, weighing just ounces, heads toward the water. Adults tip the scale at about 300 lbs.

CRITTERS

TO HELP SAVE THEIR LIVES, FLORIDA'S JOHN FLETEMEYER STEERS BABY TURTLES AWAY FROM BRIGHT LIGHTS, BIG CITIES

If Florida's sea turtles ever became politically organized, one of the first lobbying groups that might form would be MATE (Mothers Against Thomas Edison). The Wizard of Menlo Park may be a hero to humans, but one of his inventions—the light bulb—wreaks havoc on newborn turtles. That's because turtle hatchlings, which emerge at night from shoreside nests, orient themselves according to the brightest horizon. With the urbanization of America's coastlines, more and more turtles are seeing the wrong light and heading toward civilization —and perishing from dehydration or lopsided encounters with Buicks.

John Fletemeyer wants to help young turtles follow the right path to adulthood. An anthropology professor at Florida International University in Miami, he works part-time for the city of Del Ray Beach, monitoring endangered sea turtle nests along three miles of shoreline.

"When the turtles hatch," says Fletemeyer, 31, "they seek the brightest horizon. Street lights, other outdoor lights, perhaps even the reflected glow from cities might be enough to disorient them." Del Ray's turtle-protection program follows two simple commandments: Thou shalt not poach, and Let there be dark.

"All we can do," says Fletemeyer, seeing off his charges, "is wish them luck."

Fletemeyer first finds the nests by following the mother turtles' flipper marks then posts signs to warn off poachers. If the nests are on the heavily used downtown area of the beach, he relocates the eggs to a quieter stretch behind the town's condominiums and private homes, where all outdoor lights must be turned off during hatching season.

Violators will be prosecuted, or at least pestered, since Fletemeyer can call on the law to help. Spotting a light behind a hedge, he makes a mental note. "I've been seeing that for a couple of days," he says. "I'll notify the cops, and they'll tell them to turn it out." When that happens, some sea turtles may have a brighter future. ❑

Photographs by Acey Harper

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FAMILY SECURITY THAT'S PRICELESS DOESN'T HAVE TO BE COSTLY.

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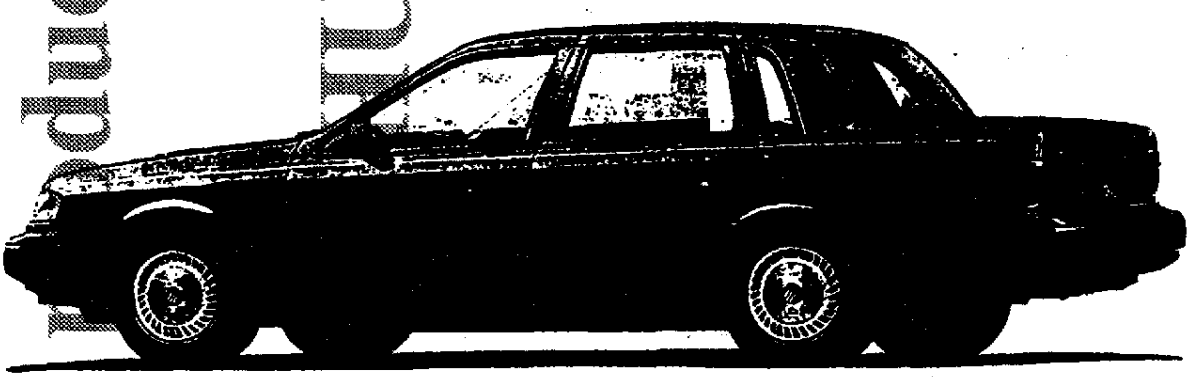

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FOR A FAMILY FACING INCURABLE HUNTINGTON'S DISEASE, FINDING OUT IS BETTER THAN THE DREAD OF SUSPICION

MEDICS

In a Mobile, Ala., church, Huntington's victim Skip Hayes prays that scientists "will find some treatment that slows the disease down."

Thomas "Skip" Hayes, a pastor in Mobile, Ala., and his wife, Denise, were seated in their car as they argued over the family's finances, she asking him to write a check, he insisting there was not enough money in their account to cover it. Suddenly, Skip, 42, ordinarily a calm, caring man, threw a punch at his wife. It missed—"I just, wham! smashed the whole windshield," he recalls. But the outburst, which occurred 3½ years ago, had a profound effect on him. It signaled the possible onset of Huntington's disease, a prospect that he and his five siblings had dreaded ever since they learned that their mother had been stricken with the ailment 15 years ago. In the intervening months, with the help of a recently discovered genetic marker for Huntington's (see box, page 134), the relationships between the members of the Hayes family have been forever altered.

Huntington's is an incurable neurological disease that destroys brain cells. It is transmitted genetically. The chances are 50-50 that the gene carrying the disease will be passed from a Huntington's carrier to his or her offspring. Symptoms of the disease include involuntary jerking of the limbs, a drunkenlike gait, loss of memory, slurred speech and erratic, irritable, sometimes aggressive behavior. Most victims of the disease die within 20 years of the time it first appears.

Because the symptoms usually do not show up until middle age, potential victims often lead lives of tormented uncertainty. But in 1986, a genetic test was developed enabling people to tell whether or not they have escaped the tainted gene. To date only about 200 of the 125,000 persons at risk have taken the test. One of the reasons may be that many people would rather remain in doubt than take the chance of learning they have so devastating a condition. Some may also fear that Huntington's would stigmatize them and make it impossible to obtain health insurance. Still others may be deterred by time, financial and family considerations. Testing centers require about three months of

Photographs by Acey Harper

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Skip and Denise worry that Jason and Jenny may have inherited the disease.

MEDICINE

psychological counseling before the test itself is administered. Fees and expenses can easily reach $5,000, and family members must be available for examinations and blood samples.

Huntington's had run rampant in the Hayes family, who lived in southern California. Skip's grandfather, an aunt and an uncle all died from it. Other relatives with Huntington's are being cared for in state hospitals. His mother, Billie Catherine Hayes, 61, is confined to a nursing home. Skip, his sister and two of his brothers decided to end their doubts.

Catherine Hayes, 36, a disability consultant from Macon, Mo., learned from a radio report in 1983 that a test was being developed. "I started shaking and crying and got all upset," she recalls. "I had been living all my life as if I had it. If the gene was in my body, I wanted to know." In 1987, a year after the test became available in an experimental program at Baltimore's Johns Hopkins University, she and Skip took it. Later, Billy Hayes, 35, a sales representative, and Marty, 32, a machinist, also had themselves screened. (Two other brothers thus far have declined the genetic analysis.) Catherine and Billy found that they had been spared the disease: Skip and Marty had their worst fears confirmed: They have Huntington's.

The ordeal of discovery has brought the siblings—one of the largest families to take the test at Johns Hopkins—closer together. "We are still scattered all over the country," says Catherine. "But I've probably seen more of my family in the past couple of years because of this." Billy and Catherine, given a reprieve, have been able to get on with their lives, entertain thoughts of marriage and, for the first time, children. Catherine has become a vice president of the Huntington's Disease Society of America.

Skip's and Marty's reactions have naturally been more complex. "When they told me I had Huntington's, it slapped me in the face," says Marty. "It made me take a look at where I am at and what I have been doing." Handsome, intense, Marty is reticent about his troubled life, but it is clear that he once seemed bound for success. At 21 he was making $32,000 a year working on oil rigs in California, which enabled him to buy a town house and a four-wheel-drive vehicle. Then, seven years ago, shortly after graduation from a Bible school in California, his life spiraled out of control. He and his wife divorced, and in 1987 he spent 210 days in jail for drunken driving. Yet Marty insists that learning he has Huntington's has inspired him to retrieve his life from chaos. "Now," he says, "I want to get back to being responsible again, get to where I can see my two kids and live a normal life again."

Skip, too, has children—Jason, 15, and Jennifer, 13—and so his diagnosis carries

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Miami Airport Hilton & Marina $85
Fontainebleau Hilton Resort & Spa (Miami Beach)* $85, Ocala Hilton* $65
Hilton at Walt Disney World® Village (Orlando Area/Lake Buena Vista)* $125
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New Orleans Area: New Orleans Hilton Riverside Towers $85
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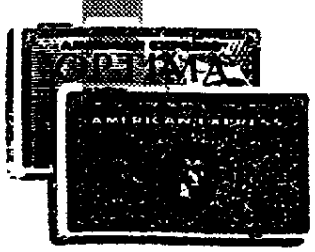

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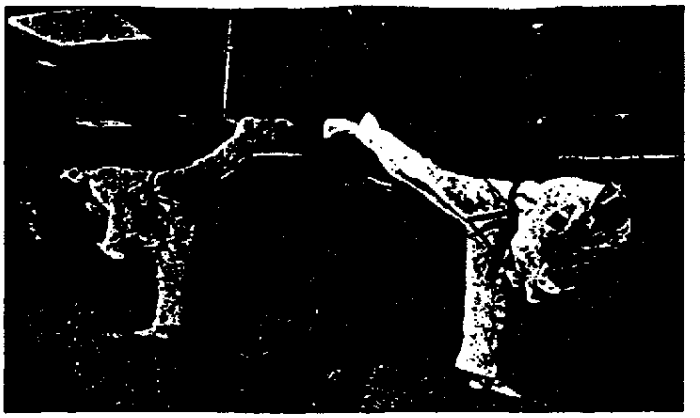


"It is a scary thing to face your own mortality," says Billy, a karate black belt and a recovering alcoholic

a special anguish. "It has laid heavy on me to look at them and think that one of them, or even both of them, will wind up with it," he says. "That hurts more than anything." Jason cried when he was told about his father's condition, while Jennifer, who is very close to her father, "closed up like a clam. She never cried, never showed any emotion," says her mother, Denise. Huntington's centers—there are now some 20 in the U.S.—insist that people at risk decide for themselves about testing. The children must wait until they are at least 18 before they can learn whether they carry the gene.

Skip is glad he took the test. "It gives you the ability to play offensively instead of fielding what comes at you," he says. He considers himself a survivor, with good reason. The day after his 17th birthday he enlisted in the Marines; 10 months later he was sent to Vietnam. "I have been in ambushes, pinned to the ground with 50-cal. slugs going over my head and overrun by suicide squads," he says. His best friend was killed when a personnel carrier in which he was riding hit a land mine.

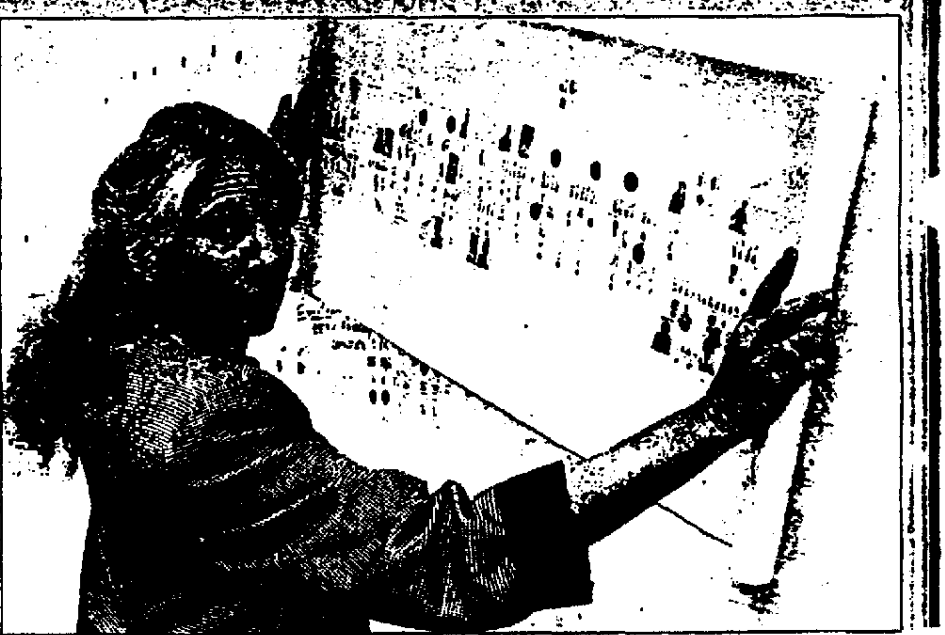
In 1967, when Skip returned to the U.S., he was greeted with cries of "Murderer" and "Child killer." He joined a counterculture community in San Francisco, only to get caught up in its drug culture. He became a heroin addict and then a drug dealer to support his habit. Moving to the South, he was imprisoned in Lousiana for selling LSD in 1970. There, however, he underwent a jailhouse conversion

From a remote Venezuelan village: breakthrough research for a Huntington's test

The search for the gene that causes Huntington's disease has taken scientists from some of this country's most sophisticated genetics laboratories to the huts of primitive Venezuelan fishing villages. It was orchestrated by Nancy Wexler, a neuropsychologist at New York City's Columbia-Presbyterian Medical Center and president of the Hereditary Disease Foundation, which helped fund the experiments.

The first clue was discovered by geneticist James Gusella of Massachusetts General Hospital. In 1981, he began analyzing the DNA of a 65-member American family with a history of Huntington's. Gusella and his team found hints that a marker, a unique segment of DNA on one chromosome, existed in one pattern in diseased members of the family, while those who were disease free had a different pattern.

A still larger family was needed for more study, and Wexler had just the group. Since 1979 she had been studying the descendants of Maria Concepcion Soto, a Venezuelan woman who lived on Lake Maracaibo and died in the early 1800s of Huntington's. To date, Wexler has identified over 650 relatives, living and dead, with the disease. Blood samples were sent to Gusella who again found the telltale marker patterns and in 1983 announced the discovery. This led to a test that is up to 96 percent accurate. To detect the marker pattern that travels with the disease, blood samples must be collected from other family members, some with Huntington's.



Nancy Wexler traces the disease through the family trees of a fishing community.

Wexler, 45, is quick to point out the test is not for everybody: "People have to be careful about what that knowledge will do for them." One use of the test, she says, is deciding whether to have children. Wexler, who lives with Herbert Pardes, dean of medicine at Columbia's College of Physicians and Surgeons, has no children. She has had to come to her own decision about the test: Her mother died of Huntington's. She declines to say if she has taken it, calling it a private matter.

With the discovery of the Huntington's marker, Wexler is sure that the gene itself will soon be found. With that will come insights into other degenerative diseases of the brain such as Parkinson's and Alzheimer's, and perhaps even a cure for those already afflicted.

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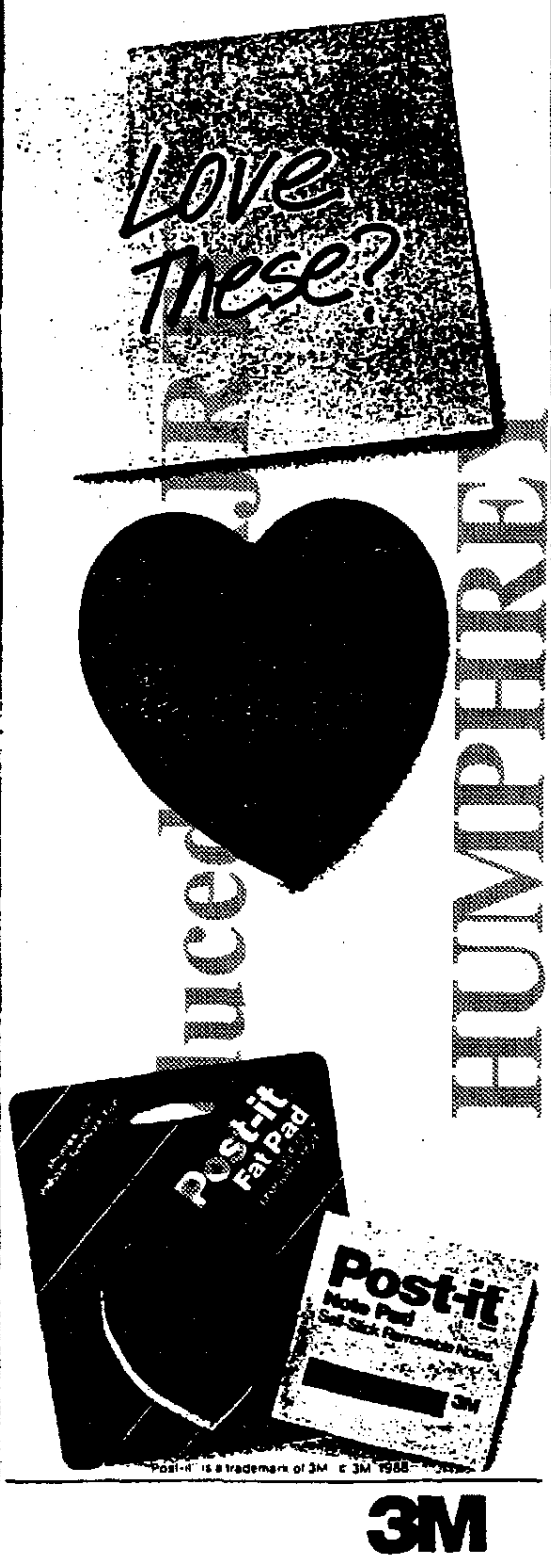

MEDICS

Folksinger Woody Guthrie died of Huntington's in 1967, but his son, Arlo (with family in Washington, Mass.), has declined to be tested.

and, upon his release, enrolled in Liberty Christian College in Pensacola, Fla. He was working at a nearby drug-abuse center when he met Denise, who was visiting another employee there. "Denise really loved me, and love hadn't been much a part of my life," says Skip. They were married in 1974. After that he worked as a petroleum surveyor until March 1989, when he became the interim pastor of Mobile's Bay View Church. He is now pastor of the city's Jubilee Fellowship Church.

Skip has dealt with his plight in characteristic, head-on fashion. Overwhelmed and depressed, he decided to commit himself to a VA hospital for psychiatric patients in Gulfport, Miss. At first the hospital wanted to treat him as an outpatient, but he put up such a fuss he was finally admitted. During his five-week stay, he slept in a dorm crammed with 70 people, some of whom were deranged. "At night you don't rest," says Skip, "because you don't know whom you can trust." While his VA physician conferred by phone with doctors at Johns Hopkins to adjust Skip's medication, he was also treated for gall bladder problems that had gone unattended because he lacked insurance. "Now," says Skip, "I am back in working order."

Professionally, Skip has thrived since emerging from the hospital, basking in the warm support of his congregation. "There are a lot of elderly ladies who just love him," says Denise. "Skip has mamas everywhere." For his part, the pastor says he is determined not to let the disease "control my life." A gun enthusiast, he says that he is still a crack shot, although he admits that nowadays his hands shake. "My arms jump, and I keep my hands on the table when I talk to people," he says. "But I want people to know that Huntington's does not have to totally destroy your life. I have peace in my heart, and I really believe that with God everything is possible. I want to keep going as long as I can," he adds. "I hope it is forever."

—Giovanna Breu in Baltimore and Mobile

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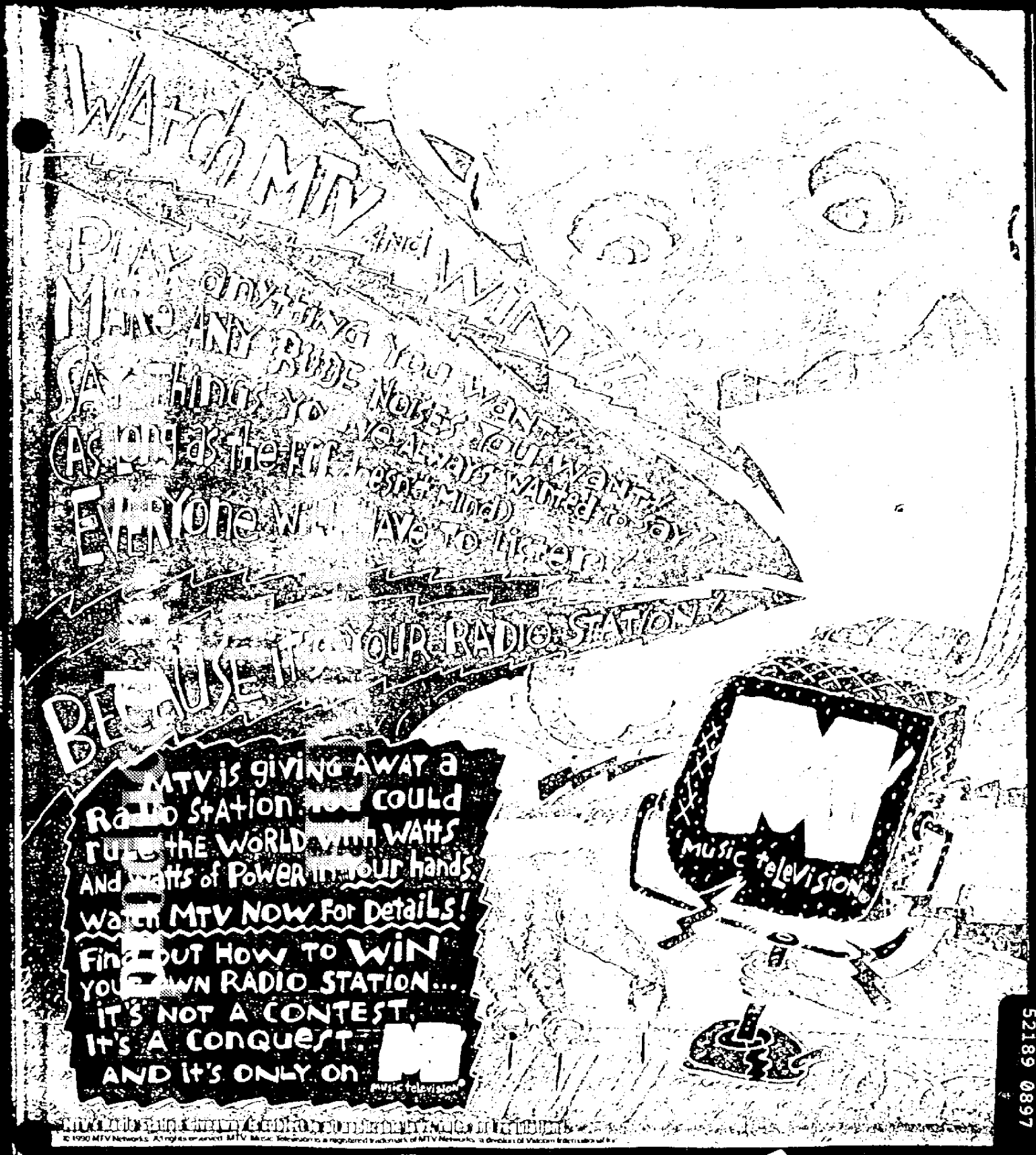

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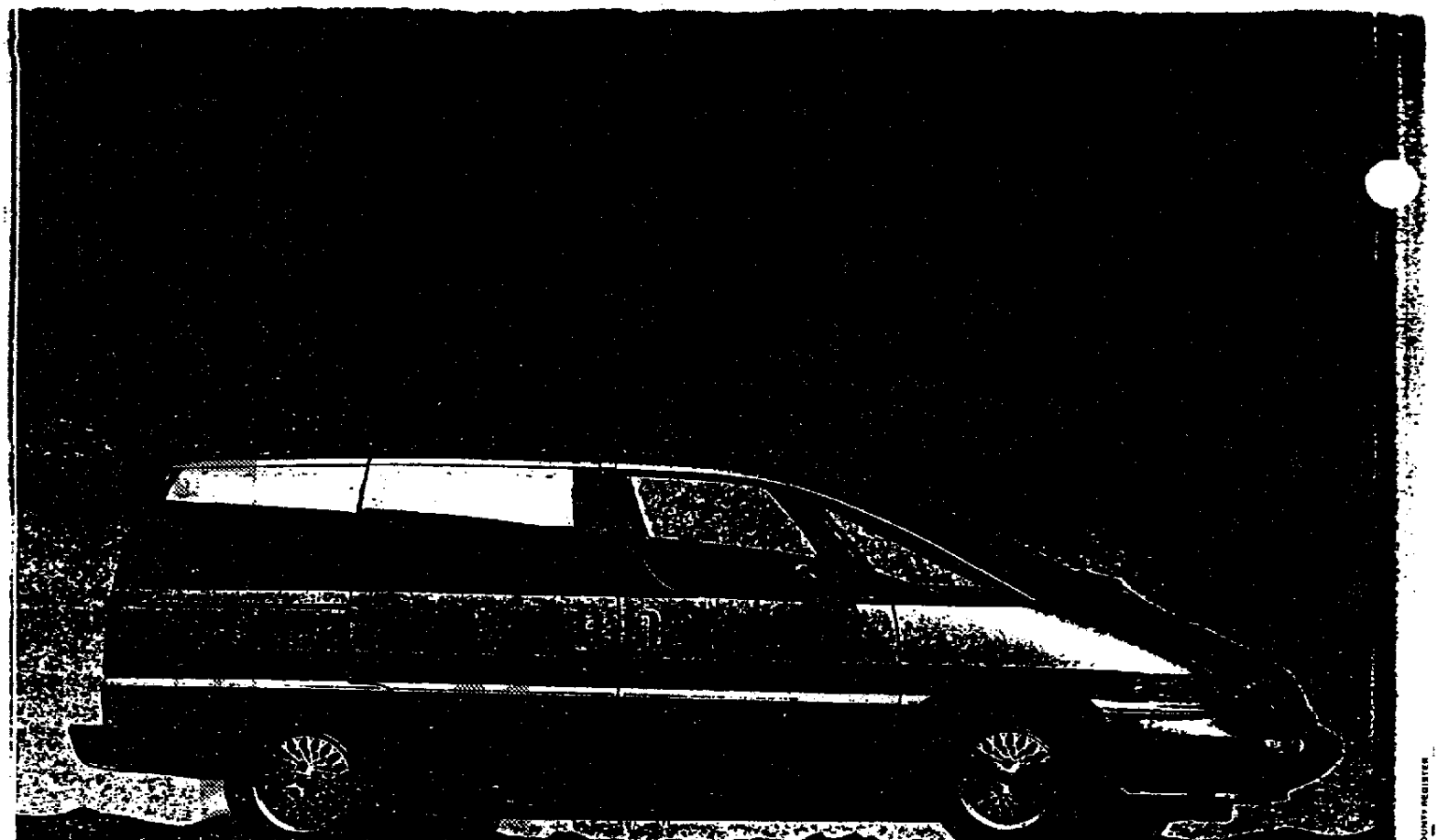

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"We're trusting people, basically," says Mark Calvert, with wife Crispina and newborn Christopher Michael.

CONTROVERSY

A JUDGE ENDS A WRENCHING SURROGACY DISPUTE, RULING THAT THREE PARENTS FOR ONE BABY IS ONE MOM TOO MANY

The battle lines were uniquely drawn. Three parents were fighting for custody of a newborn child to whom each had made a biological contribution. Christopher Michael, now 8 weeks old, owes his existence to a surrogate mother, Anna L. Johnson, who gave birth to him Sept. 19, and to Mark and Crispina Calvert, an Orange County, Calif., couple who are his genetic parents. Desperate to start a family, the Calverts had signed a surrogacy agreement with Johnson, a nurse working with Mrs Calvert at a Santa Ana, Calif., hospi-

After three of the Calverts' fertilized eggs were implanted in her uterus, Johnson became pregnant with Christopher.

A splendid achievement of medical technology? Yes, but one that had already become tainted by controversy. During her pregnancy, Johnson had a change of heart. In the seventh month she sued to keep the infant. For the first time in U.S. history, a judge was asked to decide if a surrogate mother has rights to the baby she bears when she has no genetic relationship to it. Last week, Judge Richard N. Parslow of the Orange County Superior Court awarded the baby to the Calverts.

In the last decade, between 1,000 and 2,000 babies were born in the U.S. through surrogate contracts. For the most part, surrogacy has fulfilled the dreams of parenthood for those who are infertile. But in some 5 to 10 percent of such cases, the process ends in legal wranglings and heartbreak for one or both sides.

The California case that set Mark and Crispina Calvert against Anna Johnson generated the same kind of national media attention as the celebrated battle for Baby M in New Jersey that ended two years ago. In that case, however, the surrogate mother, Mary Beth Whitehead, was also the genetic mother in that she donated the egg. (She eventually won visiting rights, though custody of the child was awarded to William Stern, the father.) In the California dispute, Anna Johnson

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◀ Cris, her mother, Leticia Baldovino (left), and sister Nini examine a series of sonograms taken while Christopher Michael was a fetus in Anna Johnson's womb.

▶ "I feel I'm the one being exploited," says Anna Johnson, in her lawyer's office with a photo of Christopher. "They used me as an incubator."

CONTROVERSY

contributed no genetic material.

While conceding Johnson's role in "nurturing, feeding and protecting" the fetus for nine months, Judge Parslow nonetheless described the surrogate mother as a "genetic stranger" whose position is akin to that of a foster parent. "A three-parent, two-natural-mom situation is ripe for strife-making," Parslow said. "I believe he should be raised exclusively by the Calverts, his natural parents."

On hearing the judge's decision, the Calverts—Crispina, 36, and Mark, 34—wept and embraced. "I can breathe now," said Cris. Anna Johnson, 29, was not in court, but her lawyer, Richard Gilbert, vowed an appeal.

An extended clash over parental claims was the last thing that occurred to the Calverts when they began their quest for a family. Crispina Baldovino, who immigrated to the U.S. from the Philippines in 1979 and is now a registered nurse, and Mark Calvert, an insurance underwriter, were married in 1982. Two years later, Cris underwent a hysterectomy in which her uterus had to be removed but not her ovaries: She produced eggs though she could no longer give birth. Still the couple yearned to have children and considered adopting. "But," Mark says, "we really wanted some genetic link."

In the autumn of 1989 Cris was introduced to co-worker Anna Johnson. An ex-marine and the single parent of a daughter, Erica, now 3, Johnson was then a nurse's aide, later a licensed vocational nurse. From all accounts she responded enthusiastically when the delicate subject of surrogacy was raised. "I enjoyed my first pregnancy," she told PEOPLE. "And I like being pregnant."

In a private agreement signed on Jan. 15, the fee was set at $10,000, plus medical expenses and a monthly allowance, all to be paid on a set schedule. Two days later, the Calverts underwent in-vitro procedures at a local clinic, and on Jan. 19 three of the eggs were implanted. On Feb. 2, tests showed that Anna Johnson was indeed pregnant.

Despite all the high promise, however, relations between the Calverts and the surrogate mother turned sour. The Calverts contended that Johnson repeatedly demanded payments ahead of schedule, while Anna accused the Calverts of breaches of contract. The quarrel began to heat up in June, when Johnson claimed she went into premature labor, and a dispute arose over who was to drive her to the hospital. According to Johnson, that was when she began to question the Calverts' fitness to be parents and to consider keeping the baby herself.

Johnson filed a lawsuit for custody on Aug. 13. After the birth and while the trial was pending, Christopher Michael—so named by the Calverts—was taken home by Cris and Mark, while Anna was allowed twice-a-week visits. In the end, Judge Parslow ruled that the surrogate mother in this case had not "bonded" with the child during pregnancy sufficiently to warrant parental rights.

The Calvert-Johnson case has renewed debate among doctors, lawyers and medical ethicists as to whether surrogacy is a compassionate solution to the heartbreak of infertility or whether it is no more than an exploitive, high-tech form of baby farming. Most experts decry any do-it-yourself surrogate arrangements, arguing instead for careful screening and psychological evaluations of prospective surrogates. In handing down his decision Parslow urged California lawmakers to establish ground rules governing the growing practice of surrogacy.

And what of Christopher Michael Calvert? Will the storm attending his arrival leave lasting scars? Holding hands, looking into each others eyes for reassurance, the Calverts remain hopeful. "If you give a child a loving environment, he will understand we sought him, that we wanted to love a child so much we were willing to go through whatever was necessary," says Mark. "Even with all the turmoil, we think this is a miracle baby." —*Dan Chu, Nancy Matsumoto and Lorenzo Benet in Orange County*

PEOPLE

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IN HIS WORDS

ANALYST KEVIN PHILLIPS SAW THE REPUBLICAN MAJORITY COMING; NOW HE'S PRONOUNCING ITS EPITAPH

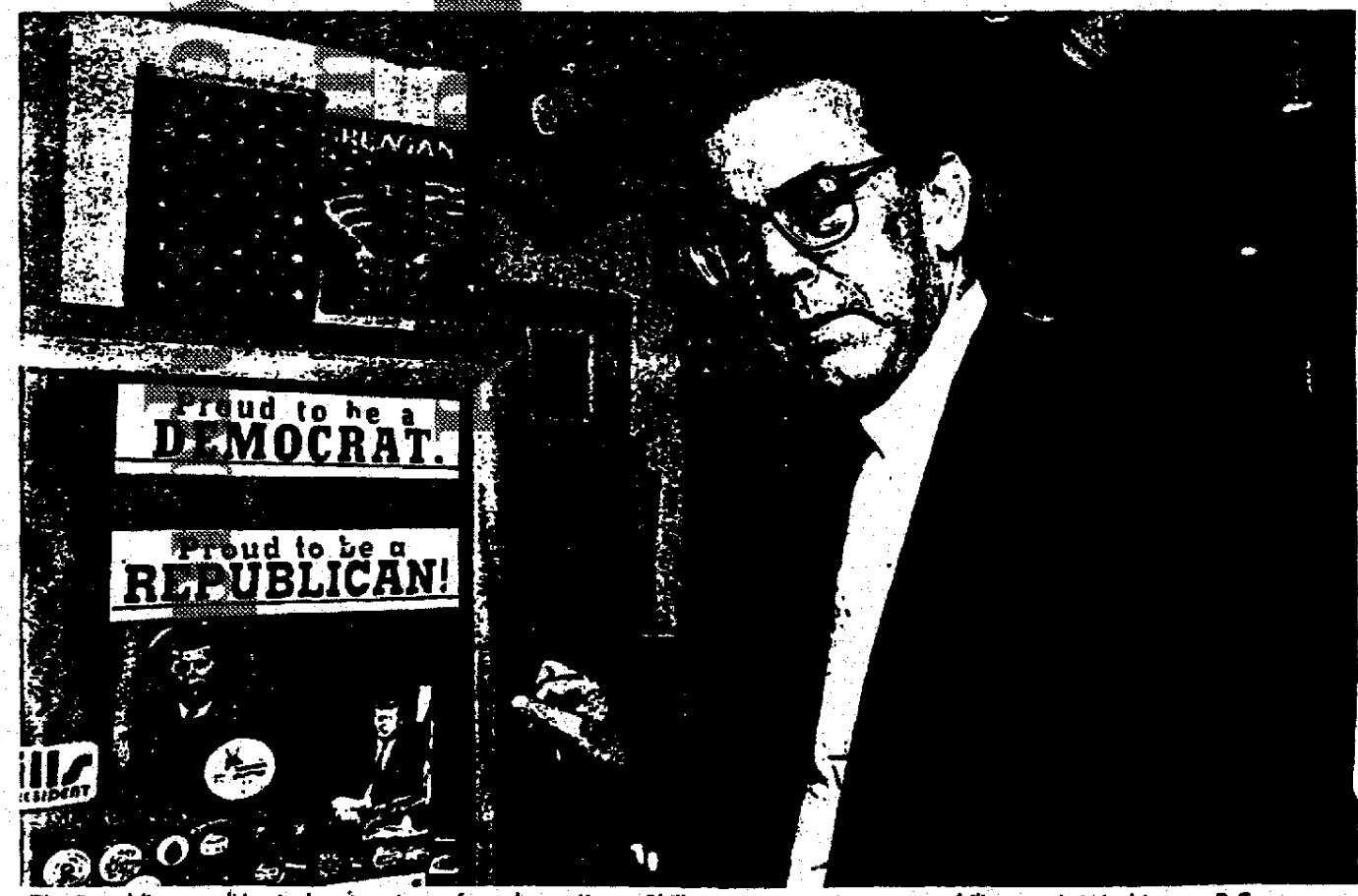
In 1967 a little-known conservative congressional aide named Kevin Phillips wrote a book called The Emerging Republican Majority. *In it he argued that the Democrats' liberal causes and free-spending ways had so alienated some of their traditional constituents that the party was in danger of losing the Presidency for the foreseeable future. The prophecy was amply borne out when Republicans went on to win four of the next five presidential elections. Now, in a new book,* The Politics of Rich and Poor, *Phillips, 49, says that the Republican ascendancy is about to come to an end. In his view the GOP has alienated its middle-class constituents by pandering to the wealthy and condoning, in the name of Reaganomics, an era of unbridled greed and self-indulgence. A score of elections around the country next week will put this latest thesis to the test. Phillips, who was educated at Colgate and Harvard Law School, worked in the Nixon administration before launching a lucrative career as a writer and commentator. He lives with his wife, Martha, 48, a Republican congressional staffer, and their 14-year-old twin sons in Bethesda, Md. Recently, Phillips discussed his best-selling book with correspondent Jane Sims Podesta.*

How can you call yourself a conservative Republican yet write so contemptuously about the Reagan and Bush eras?

I'm a Nixon Republican, not a Bush Republican. Nixon is a Middle American Republican, and Bush is a Park Avenue–Palm Beach Republican. In the Nixon years you heard terms like "silent majority" and "Joe Six-Pack." What you get out of Bush is capital gains and a speedboat off his "cottage" in Kennebunkport. Two different Republican parties.

When did it change its stripes?

During the Reagan Presidency. Like the two previous Republican heydays, in the 1920s and the Gilded Age of the late 19th century, the 1980s were a period when everyone forgot the laws of gravity. They just pumped it up and pumped it up and got carried away with debt and spec-



"The Republican coalition is showing signs of weakness," says Phillips, at a campaign memorabilia store in Washington, D.C.

Photograph by Robert Trippett/Sipa Press

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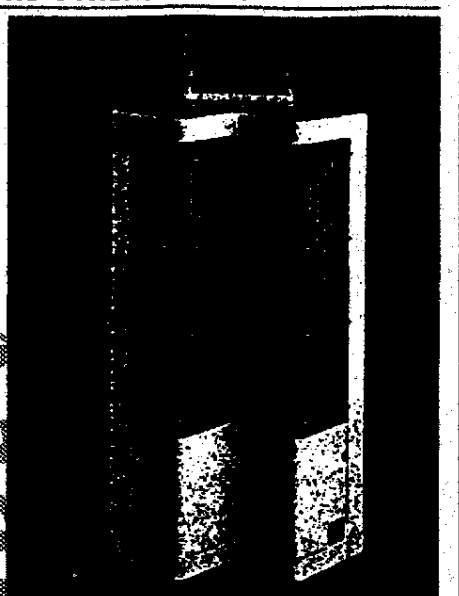

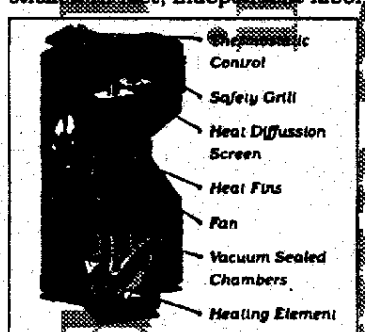

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WORDS

ulation. Now with the budget crisis and the S&L mess, we are seeing parts of the economy implode and things like junk bonds and leveraged buyouts unravel. Republicans were the spiritual architects of the 1980s. They stood for these go-go financial values and told us if we cut taxes it would be magic.

And what happened instead?

We saw vast wealth concentrated in the hands of the top 1 percent of Americans. There is this sense on the part of the public that the richest people have accumulated an awful lot during the 1980s and haven't used it very well. Gold-plated yachts and $20 million houses haven't served the larger interests of the country.

So why weren't the Democrats able to defeat Bush in the last election?

Democrats always lose their bearings during these periods when capitalism becomes fashionable. Democrats aren't a left-wing party but a middle-class party with a little less enthusiasm about capitalism and the rich than Republicans. My sense is that a good Democrat could have beaten Bush in 1988 by attacking credit-card economics and the failed programs of the '80s.

Do you see that changing anytime soon?

Well, we're not exactly dealing with the A-Team when we're talking about the Democrats. Gov. Mario Cuomo is a strong candidate, and Sen. Bill Bradley is talked about, but he isn't very charismatic. The joke on Bradley is that if he gave a fireside chat the fire would go out. The Democrats have lost faith in themselves and their ideas. They don't have clean hands, so it will be confusing for the average person to figure out.

Still, aren't you predicting that the Republicans will suffer more at the polls in upcoming elections?

Usually if people are angry they tend to be angry at whatever party is in the White House. We don't have a king or queen, so the President's party is the one that gets the blame for everything. The Republicans took credit for the prosperity of the 1980s, so now they can take the blame when things go wrong. I would guess a lot of Reagan Democrats and some Republicans are unhappy with the image that Bush developed when he seemed to

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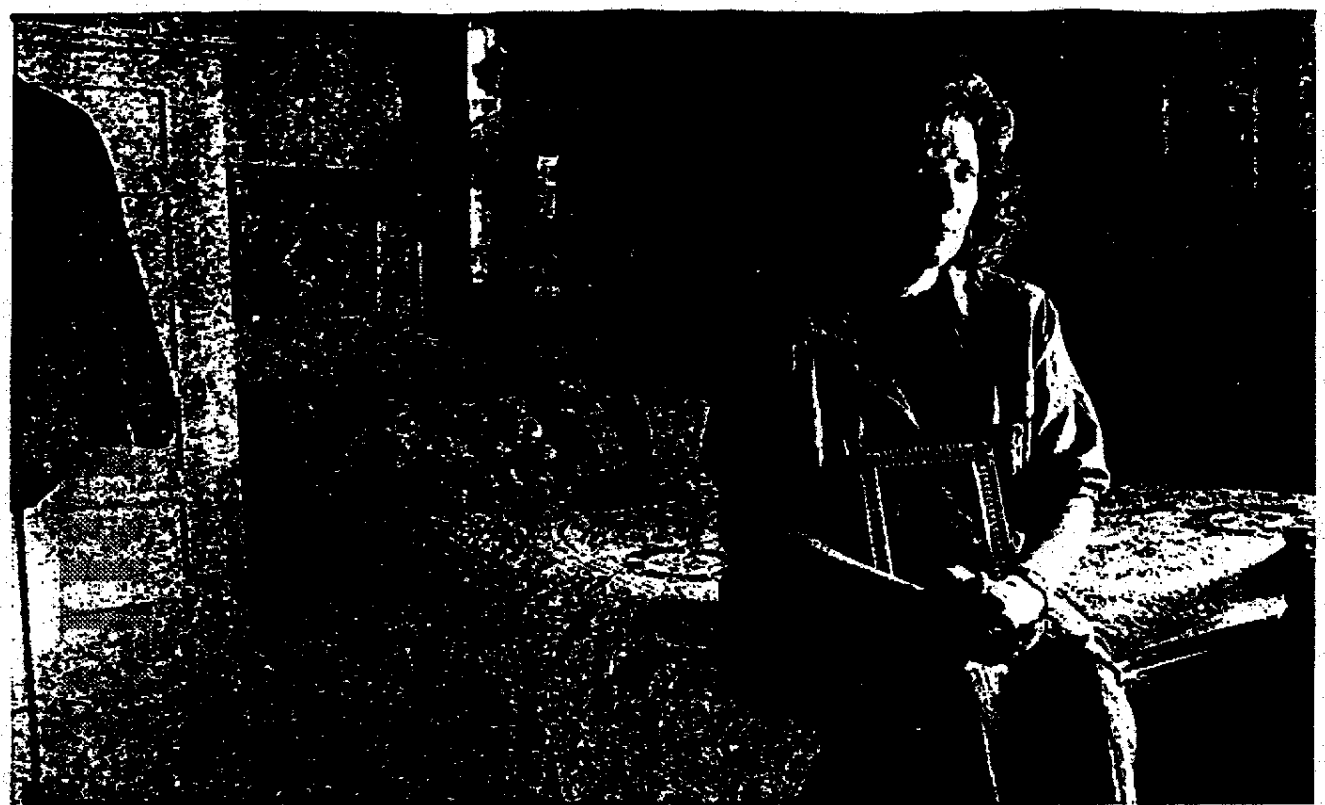

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"You've heard of so-called parental consent laws. They force a teenager to tell her parents she's decided on an abortion.

"If she doesn't, the law says she can't have one.

"Of course, most teenagers discuss their decision with their parents or another responsible grownup anyway, law or no law. But our daughter's friends tell me that if a girl is really terrified to tell her parents she can get around the law by getting on a bus to another state.

"Or she might try to end her pregnancy all by herself. Without telling anybody.

"That's what my daughter Becky did.

"She was seventeen years old. And now it's too late for us to talk about anything that scares her.

"Ever again."

— Karen Bell, Indianapolis

Teens already face dangerous "parental consent" barriers to safe, legal abortion in ten states. Similar limits have been proposed in another four. Recent Supreme Court decisions allowing states to severely restrict a teen's access to safe, legal abortion — such as requiring approval by both her biological parents, even those who are abusive or have been absent since birth — endanger millions more. Stop "parental consent" laws. Protect young lives. Support all our programs by mailing your contribution of __$15 __$25 __$50 __$100 __$250 __$500 or $_____ to Planned Parenthood Federation of America, 810 Seventh Avenue, New York, NY 10019-5882.

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▲ Phillips says Reagan and Bush (at a 1988 rally in Austin, Texas) abandoned the majority that elected them.

► Phillips says race is the issue in the North Carolina Senate battle between Harvey Gantt (left, with Mike Easley) and Jesse Helms.

◄ Economic problems, says Phillips, have aided outsider candidates like Democrat John Silber, who's running for Governor of Massachusetts.

◄ Phillips believes renegade Republican Lowell Weicker may win Connecticut's governorship—as an independent.

◄ GOP Sen. Mark Hatfield of Oregon is "one incumbent who is in trouble and sort of out of touch," says Phillips.

favor the rich in the recent budget face-off on taxes with Congress.

In fact isn't there a great deal of resentment toward both parties?

Certainly we have seen that anger in Louisiana with the turnout for U.S. Senate candidate David Duke. You had a former Ku Klux Klan member getting 44 percent of the vote—higher than anybody expected. People are frustrated and they somehow want to take back the political power.

What are some of the symptoms of this "new populism"?

One is the voters' belief that the rich should pay more taxes—which is being acted out right now in Congress. Another is the attempt to roll back insurance rates, which is going to happen in Arizona this year and happened in California two years ago. There is also great antagonism against oil companies and tremendous anger over the S&L disaster.

What do these voters want?

They want a government in Washington that doesn't look like it is fumbling around. The budget has been fumbled. The President has created a sense that he is not much of a leader on domestic or budget issues. People were turned off by that "read my hips" nonsense. There is a growing feeling that George Bush just isn't doing a good job and neither is Congress. I don't think I can ever remember a situation where there was no scandal involved and a President's job approval rating sank like Bush's in the last month.

You have been attacked as a traitor and a "fraud" by the supporters of present Republican policies. How do you respond?

The fact that I don't agree with the supply-side squirrel cage at the moment doesn't affect my definition of what is a Republican. I don't think it's Republican to say deficits and debts don't matter. These think-tank conservative, supply-side hot dogs have been arguing for deregulation and unleashing capitalism in the private sector—without considering that the consequences are concentrated wealth and speculation.

Looking ahead to the next presidential race, what do you see?

I would say there is a 70 to 80 percent chance that a Democrat will be elected President either in 1992 or 1996. You could argue that the Democrats don't deserve to win, just as the Republicans didn't deserve to win back in 1968. But in point of fact, the other side was out of gas. Historically in this country we always had to go through darkness before we got to dawn. Before we get new politics, the old politics sputter along. ❑

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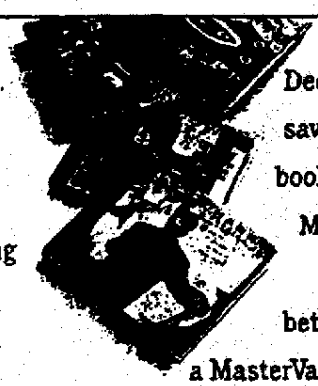

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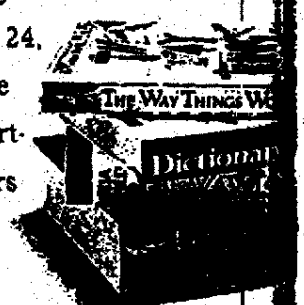

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TUBE

AFTER *LETTERMAN*, COMEDIAN CHRIS ELLIOTT DECIDED TO *GET A LIFE*—AND THEN GOT HIS DAD TO PLAY A PART HE KNOWS BY HEART

◀ Elliott may embarrass easily, but he says he can play a dork on *Life* because "I have control. I wrote it."

▲ Always close, father and son churned out a spoof of kiss-and-tell Hollywood biographies called *Daddy's Boy*.

When he was about 6, writer-comedian Chris Elliott made his first public appearance, a moment that still gives him shudders. Dining with his family at a Manhattan restaurant, Chris was selected at random to receive a free toy. "I was terrified," recalls the 30-year-old comic, who had to go to the front of the crowded room to collect his prize. "I started crying, ran up and grabbed something and ran right back."

Can this be the same guy who regularly growled, "I'm going to make your life a living hell!" at the host of *Late Night with David Letterman*? The same guy who taste-tested dog food, hawked a whoopee casket and has appeared, clad in a diaper, cuddled in the bearish arms of writer Gerard Mulligan? One and the same. It seems Elliott has outgrown his embarrassment—but not much else—to become one of the most original writers and performers on television. In that, he is carrying on the family tradition. His father, Bob, was half of Bob and Ray, the deadpan duo that cracked up radio listeners for four decades with characters like blustering ace newsman Wally Ballou and Harlow P. Whitcomb of the Slow Talkers of America. Now Chris is happily courting prime-time laughs as writer, producer and star of the promising Fox network sitcom *Get a Life* (Sunday, 8:30 P.M. ET).

In *Life*, Elliott portrays a character close to home: 30-year-old paperboy Chris Peterson, an ambitionless Dennis the Men-

Photographs by Jonathan Exley/Gamma-Liaison

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ace who lives over his parents' garage and dabbles disastrously in everything from male modeling to breaking the world record for having things piled on top of him. Chris has cast a natural to play his father—paterfamilias Bob himself. Elliott the Elder underplays the paperboy's dad with commendable drollness, and veteran Elinor (*Father Knows Best*) Donahue is perpetually cheery as his ditzy mother, Gladys. Chris, who has inherited Bob's receding hairline and morning-after bags under the eyes, says that the paperboy is an extension of his *Letterman* creations. "Basically," says Chris, "he's a jerk."

Performing on the small screen in any guise, even as a jerk, seemed a remote possibility for a kid who grew up in the staid Elliott home in Manhattan. There was no push for Chris or any of his four siblings to follow in their father's footsteps. "As a child, Chris wanted to be an astronaut and an ice hockey player," remembers his dad.

But Chris had the biz in his blood and began his transformation into global-village idiot during the run of *Bob and Ray: The Two and Only*, the duo's 1970 Broadway show. Chris went to the show every weekend and, at Bob and Ray's studio, became enchanted with the sound effects machine. "We could put in three seconds of the Wolfman howling," says Chris, "and then two seconds of a fight sequence. It was really fun."

Influenced by the generation of comics that came out of *Saturday Night Live*, Chris forsook college to perform in improvisational theater and summer stock. As a tour guide at NBC, he met Letterman, then a *Tonight Show* guest host. After Chris blurted out who his father was, Letterman said that he'd like to have Bob on *Tonight*. Responded Chris: "My dad doesn't do the *Tonight Show* . . . unless Johnny hosts."

Despite the barb, or perhaps because of it, Chris wound up not long after on *Late Night*, auditioning animals for the show's Stupid Pet Tricks. He was soon elevated to a position as one of Letterman's Emmy-winning writers and logged countless appearances during his eight years on the show. His dada-esque routines weren't confined to the stage; during one period, he amused the staff by doing a nonstop Marlon Brando impression. Even his courtship of Paula Niedert, then a *Late Night* talent booker, was in character. Despite the fact that he did telling public impressions of Paula and taped embarrassing caricatures to her office door, the couple were married in 1986. Devoted to daughters Abby, 3, and 3-month-old Bridget, they share a spacious rented house in the Hollywood Hills.

On the *Life* set, Bob, whose partner Ray Goulding died last spring, has a calming effect on his effervescent son. Says executive producer David Mirkin: "You can see that Chris has an awful lot of respect for him." Agrees Chris: "I do tend to pull an Eddie Haskell whenever he's around. . . . Then I shove him off into his dressing room and go at it again." Chris feels confident that the '90s will be good to him. "This will be the decade," he says, "when I completely lose my hair." Will it be the decade when he finally grows up? Probably not.

—J.D. Reed,
Craig Tomashoff in Los Angeles

▶ Grandpa, Dad and Abby cook out a gag on baby Bridget, who seems to share the family's deadpan style.

▼ Chris gets cozy with wife Paula, a former Letterman staffer, in the living room of their Hollywood Hills home.

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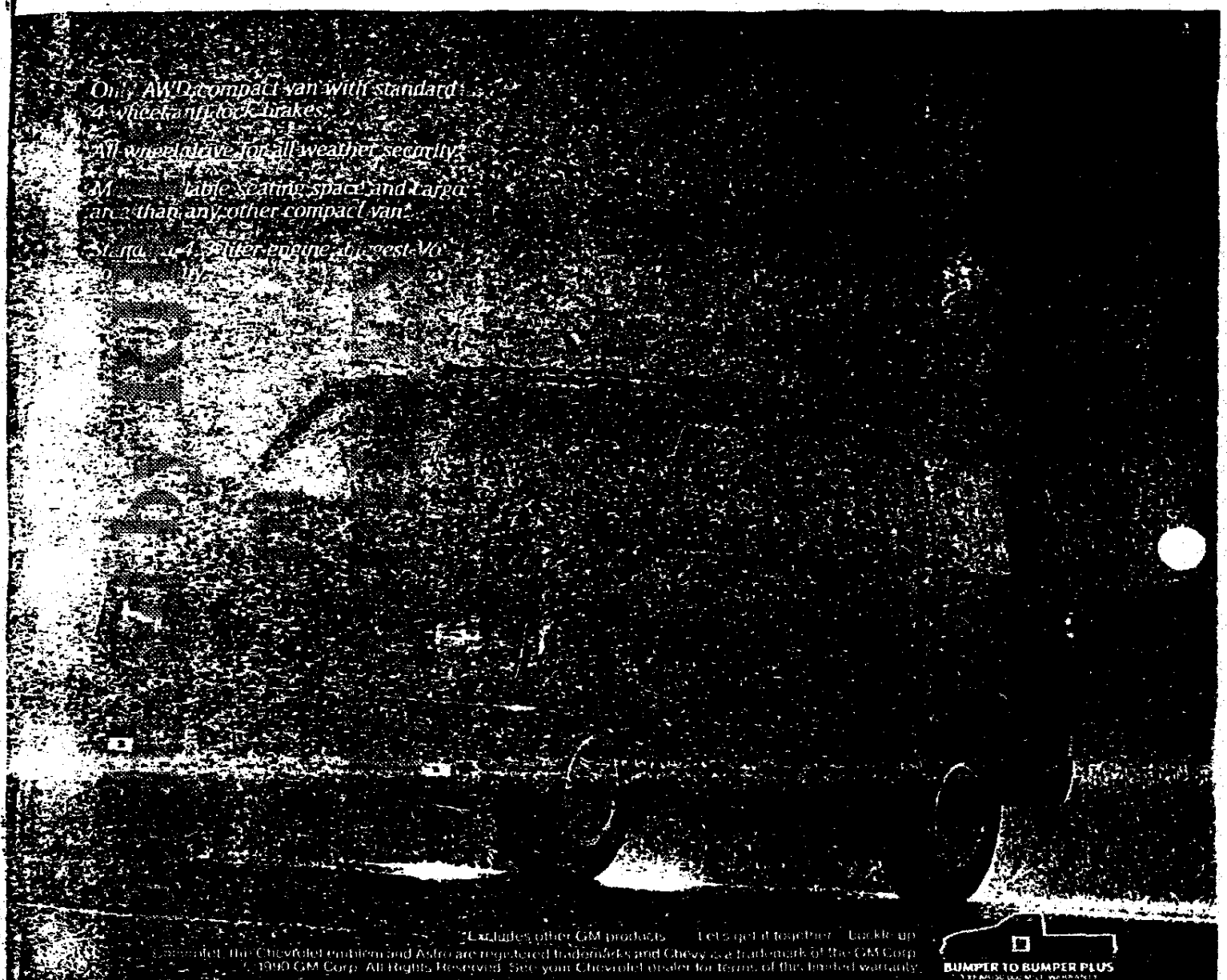

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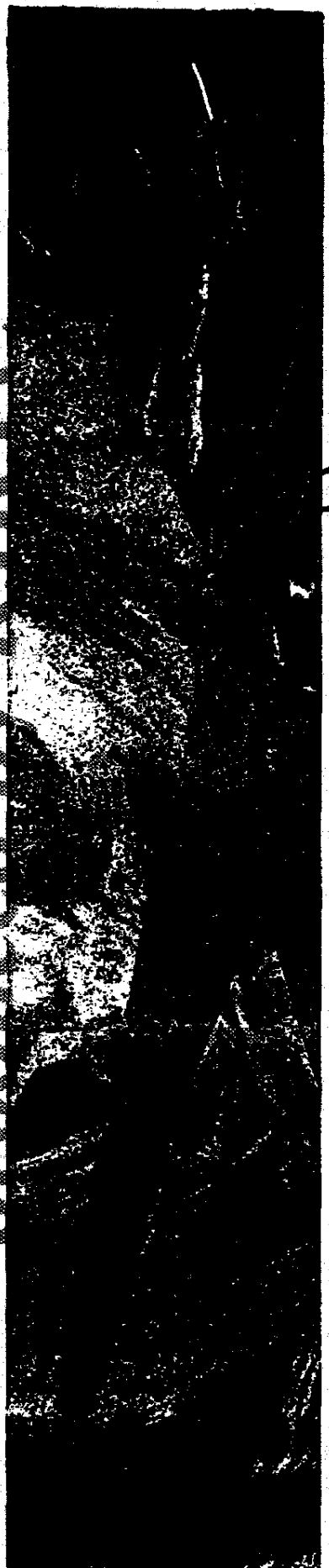

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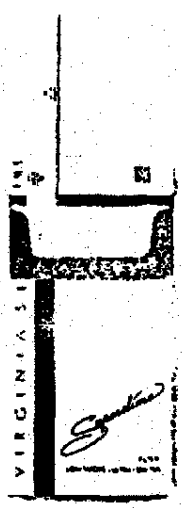

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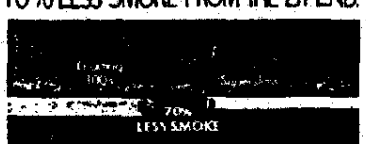

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STYLE

ON A RUNWAY, MICK'S DAUGHTER JADE JAGGER GETS SATISFACTION

"A bit little girl, a bit French mu... was how-or Jagger ade... scribed the d... ess modeled by

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STYLE

Who knew? There was Diana Ross showing off—and almost all—in a largely transparent cat suit, Iman in a red robot getup and Lauren Hutton in a pointy metal bra. So it was a bit of a sneak play when Jade Jagger, 19-year-old daughter of Rolling Stone Mick and his ex-wife, Bianca, romped down the runway for the very first time at Thierry Mugler's Oct. 18 Paris show. "I didn't even recognize her at first," admits the *New Yorker*'s formidable fashion editor, Holly Brubach.

Yet it was no surprise that Jade, who made her modeling debut in September's British *Vogue*, would choose Mugler for a couture strut. The designer has not only togged out Mom and Dad, but hired Mick's longtime companion, Jerry Hall, as mannequin. At a petite 5'3", Jade may not have an ideal runway physique or future. But her sangfroid compensated. "A lot of girls mess up the first time," says a Mugler employee, "but she was very poised."

Besides, this was, it seemed, another chance to get out from under Dad's thumb. "She had her English boyfriend with her backstage," says Mugler spokeswoman Alix Malka. "She's very free and independent." Brashly busting out of the saucy crepe georgette dress that Mugler designed just for her, Jade—who has been bouncing around Europe since she was tossed out of Britain's St. Mary's School in 1988—was making a personal as well as a fashion statement.

What did Mick (who, like Bianca, didn't attend) think of his little girl's part in Mugler's masquerade of, among other designs, metal dog-collars and snakeskin bustiers? "I haven't heard whether he was pleased," says Malka. "but Jade was." ❑

◀ A skinny Jade, 9, was mother Bianca's little helper in 1981.

► With Mick in 1984, Jade, 12, flashed a facsimile of his pout.

▼ [illegible], with Josh Astor, the ex immortalized in her ex-position.

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CHATTER

BY PETER CASTRO

SPADER: BIG, BIG LOVE

While auditioning for their new film, *White Palace*, **JAMES SPADER**, 30, and **SUSAN SARANDON**, 44, had their share of pregnant pauses. "It was funny," says Spader of the scene they rehearsed. "It was a complete washout. I showed up in New York and walked in the door and there was Susan 8½ months pregnant and huge [with Tim Robbins's child, Jack, born last year]. I mean, every line was such a joke. She had one that went, 'What would you do if I fell all over you?' You know, probably scream and call an ambulance. The one high point was that my wife [Victoria] was almost eight months pregnant, too, so we could sit down and talk about breast-feeding and stuff."

BASIL WALLACE: IT HASTA BE BASTA

As a deranged Rastafarian drug lord in the new blockbuster *Marked for Death*, **BASIL WALLACE** learned to dread his locks. "I had to keep [the wavy hair extensions] on off-camera, and I learned a lot about how people perceive you," says Wallace, 37. "Some people were intrigued and some wanted drugs. They assumed that I had 'herb,' and I'd say, 'I don't know, try an herb shop.' Or in bars they'd ask if I knew where the 'smoke' was, and I'd say, 'Yeah, in the smoking section over there.'" On keeping the coif, Wallace is negative. "There's not much work for rastas in this town," he says, "so I don't think I'd be able to eat."

BARBARA WALTERS'S SOB STORY

After doing 58 celeb specials since 1976, **BARBARA WALTERS** admits her future may not always lie in the stars. "I have one coming up in November," says Walters, 59, "and two out of three interviews I found great fun. I'm tired of asking celebrities what are to me the same questions. But that doesn't mean somebody else shouldn't do it." On the almost obligatory sob segments of her specials that have been the butt of several parodies, she adds, "I said in the introduction [of the forthcoming special], 'I promise you I didn't make anybody cry.' If one more person cries on my special, I'm going to throw a pie in their face.'" As for the jabs she has received about her mild speech impediment, especially from the late **GILDA RADNER**, Walters says, "I always wanted to be called Babs Elliot. [The Baba Wawa spoofs] wouldn't have happened if my name had been Babs Elliot. I would have been a whole different person."

SHIPP SHAPE

The star of the CBS series The Flash, **JOHN WESLEY SHIPP**, *35, is quick to point out that he wasn't always well suited for the role. "The first thing I said to my agent when I saw the costume was, 'What did you do to me?' I was guaranteed that I wouldn't have to wear red tights," he laughs. "I was also told that the show would have me in the costume no more than 10 to 15 percent every week, and so far they've kept their word. Still, it takes 45 minutes to zip it on me." On the plus side, the studio is doing its best to keep Shipp cool. "The suit now has a vest in it and tubing throughout," he says, "so that when I'm not on-camera, I can go hook up to this machine and have ice water pumped through to keep me cool."*

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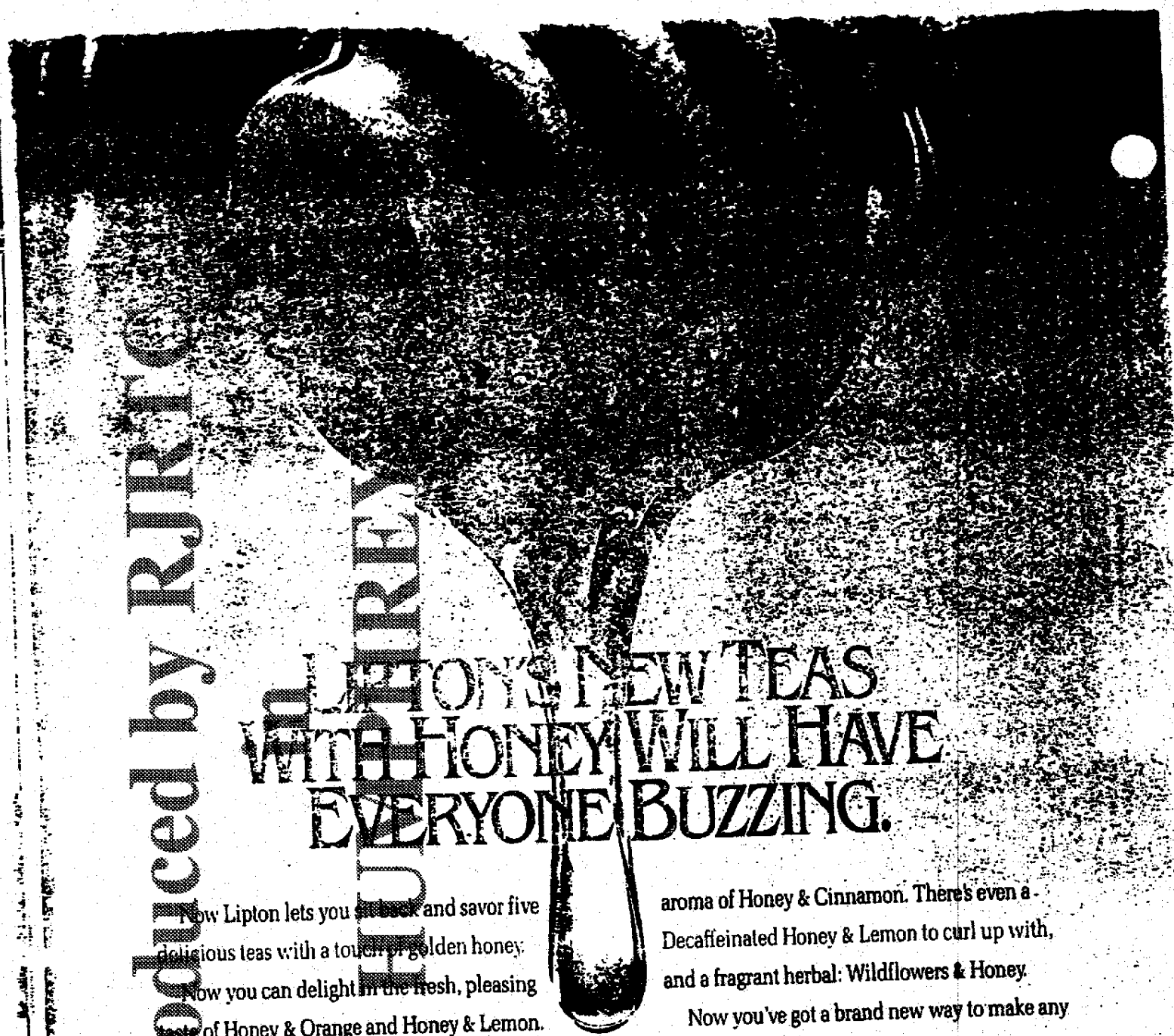

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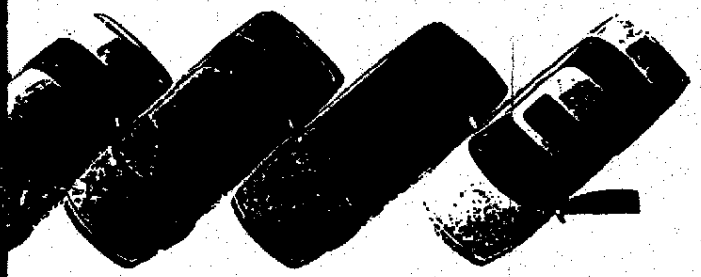

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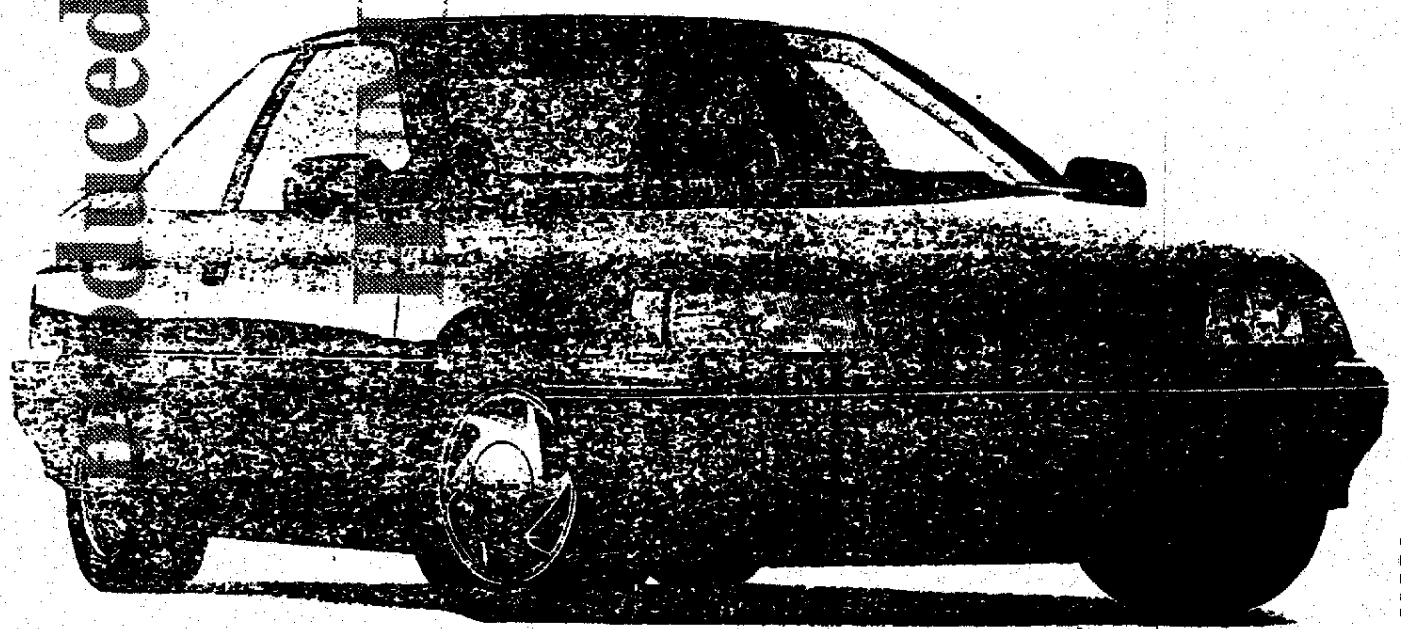

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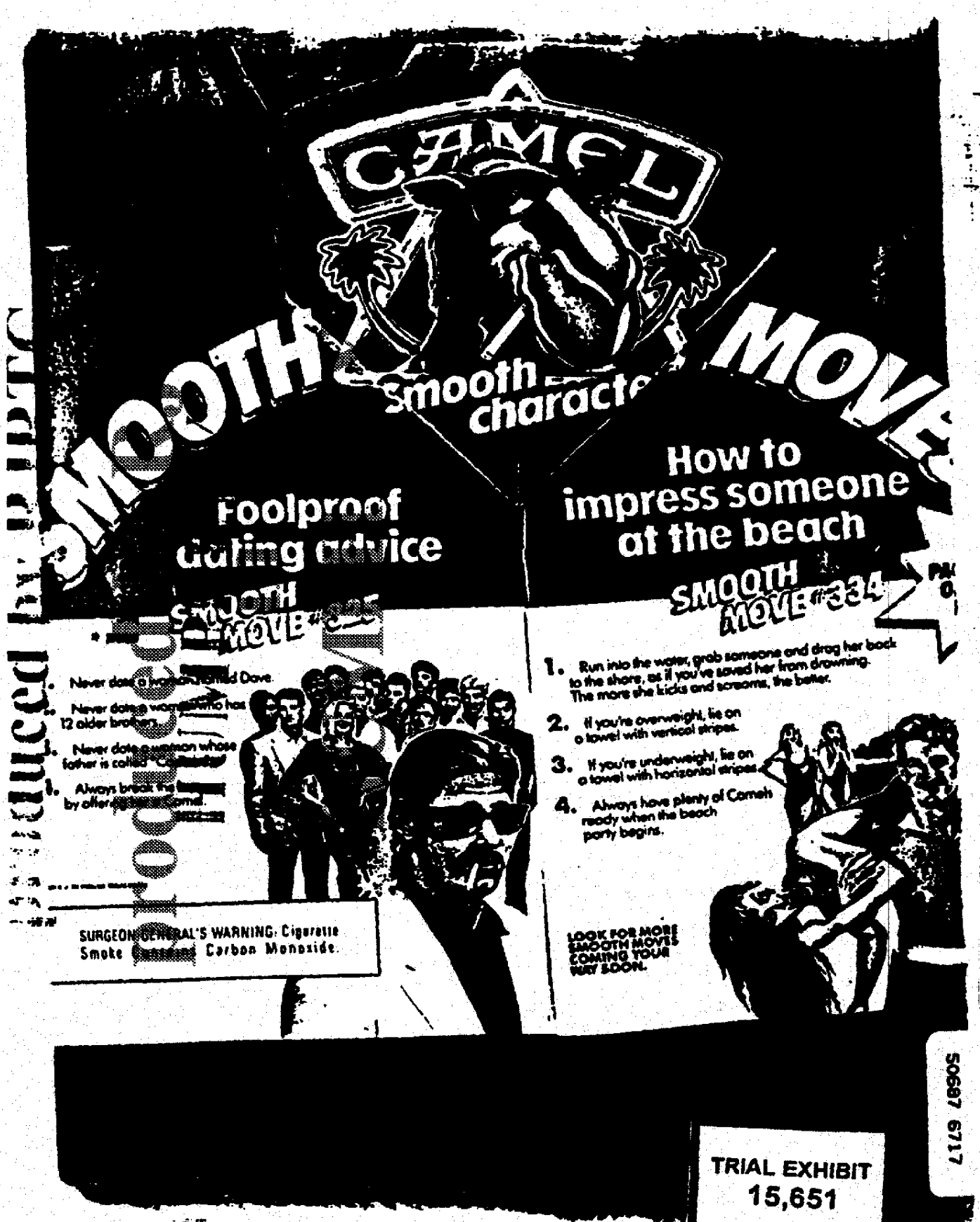

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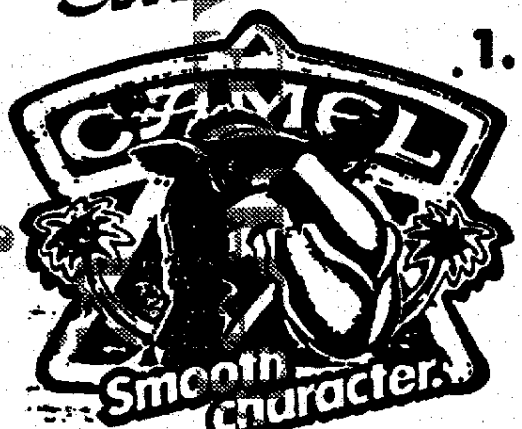
How to get a FREE pack even if you don't like to redeem coupons.

SMOOTH MOVE #437



1. Ask your best friend to redeem it.
2. Ask a kind-looking stranger to redeem it.
3. Ask a good-looking stranger to redeem it.
4. Offer each Camel and start a warm, wonderful friendship.

SURGEON GENERAL'S WARNING: Cigarette Smoke Contains Carbon Monoxide.

LIGHTS: 8 mg. "tar", 0.7 mg. nicotine. LIGHTS HARD PACK: 10 mg. "tar", 0.7 mg. nicotine. LIGHTS 100's: 12 mg. "tar", 0.9 mg. nicotine. FILTERS: 10 mg. "tar", 1.0 mg. nicotine. FILTERS HARD PACK: 17 mg. "tar", 1.1 mg. nicotine. FILTERS 100's: 18 mg. "tar", 1.2 mg. nicotine. REGULAR: 21 mg. "tar", 1.4 mg. nicotine, av. per cigarette by FTC method.

20707 MANUFACTURER'S COUPON EXPIRES 6/15/87

FREE Pack Of Camel!

When You Buy 1. Any Style.

RETAILER: YOU MUST FILL IN NORMAL RETAIL PRICE _____ (DO NOT INCLUDE SALES TAXES) 90707

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December 11, 1990

TO: Mr. E. C. Leary
Ms. C. S. Hunter
Ms. M. Kelly

FROM: Mr. J. R. Hribar

SUBJECT: CAMEL PERFORMANCE BY AGE GROUP

Attachment I shows share of smoker trends for CAMEL (Ex. Regular) for adult smokers 18-20 and 21-24. Following are some observations.

1. Looking at the two groups separately lowers the base size and increases variability dramatically.

2. It appears that CAMEL's share among 18-20 smokers has been increasing faster than among 21-24. This is easier to see in Attachment II.

3. The share drop seen in October, 1990 was largely attributable to 21-24 smokers - if it was a drop.

4. There are a number of points which show one age group moving while the other does not. It would be interesting to look at promotions in place during these periods to see if there is a pattern to the response by age group (e.g., 21-24 may move more in response to BSGSF). The periods I observed are: July 1990, May 1990, December 1990 and October 1989. There may be other less obvious that you can spot.

Basically, it looks like both age groups are on a similar growth trend with share levels a little higher from 18-20, a good indication of the success of the programs.

If you would like to talk about this in more detail, just call.

John

John R. Hribar
BUSINESS INFORMATION DEPARTMENT

JRH/lab

Attachments

14
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III

CAMEL (Ex. Reg.)
ASET SHARE OF SMOKERS

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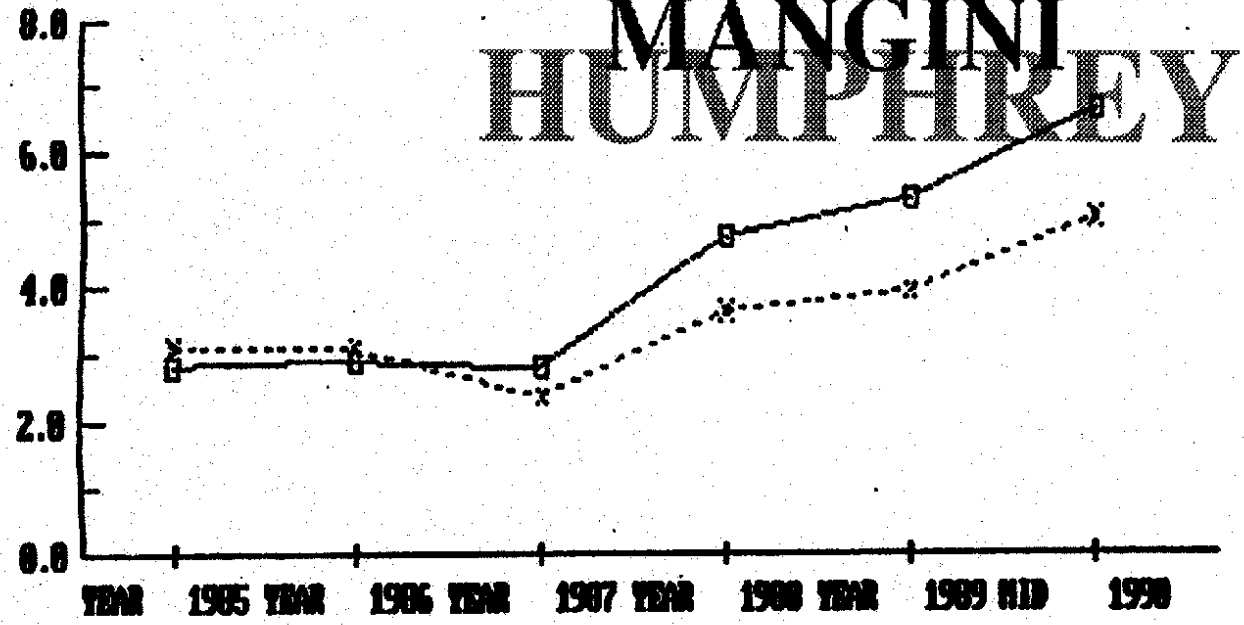
R.J. REYNOLDS TOBACCO TRACKING STUDY

TOTAL CAMEL (EXC. MF) US - SHARE OF SMOKERS

B - TOTAL 18-20 x - TOTAL 21-24



TTL 18-2	2.8	2.9	2.8	4.7	5.3	6.6
TTL 21-2	3.1	3.1	2.4	3.6	3.9	5.0

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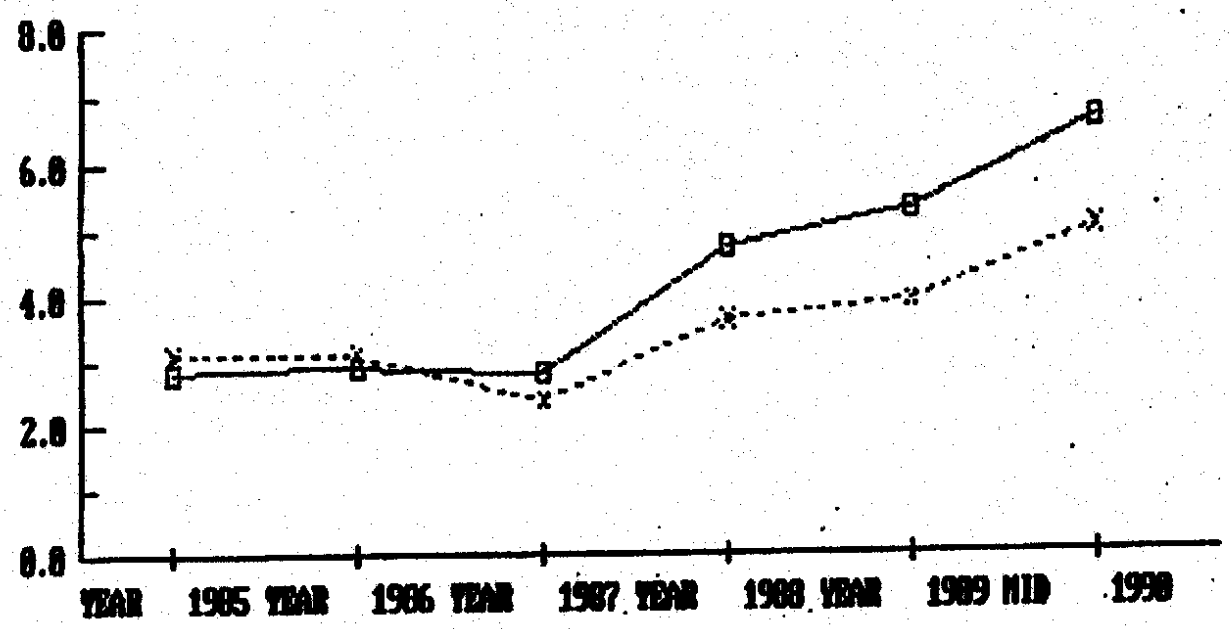
R.J. REYNOLDS CONSUMER TRACKING . JEN

PROFILE

TOTAL CAMEL (EXC. ME) US - SHARE OF SMOKERS

B - TOTAL 18-20 X - TOTAL 21-24



TTL 18-2	2.8	2.9	2.8	4.7	5.3	6.6
TTL 21-2	3.1	3.1	2.4	3.6	5.4	5.8

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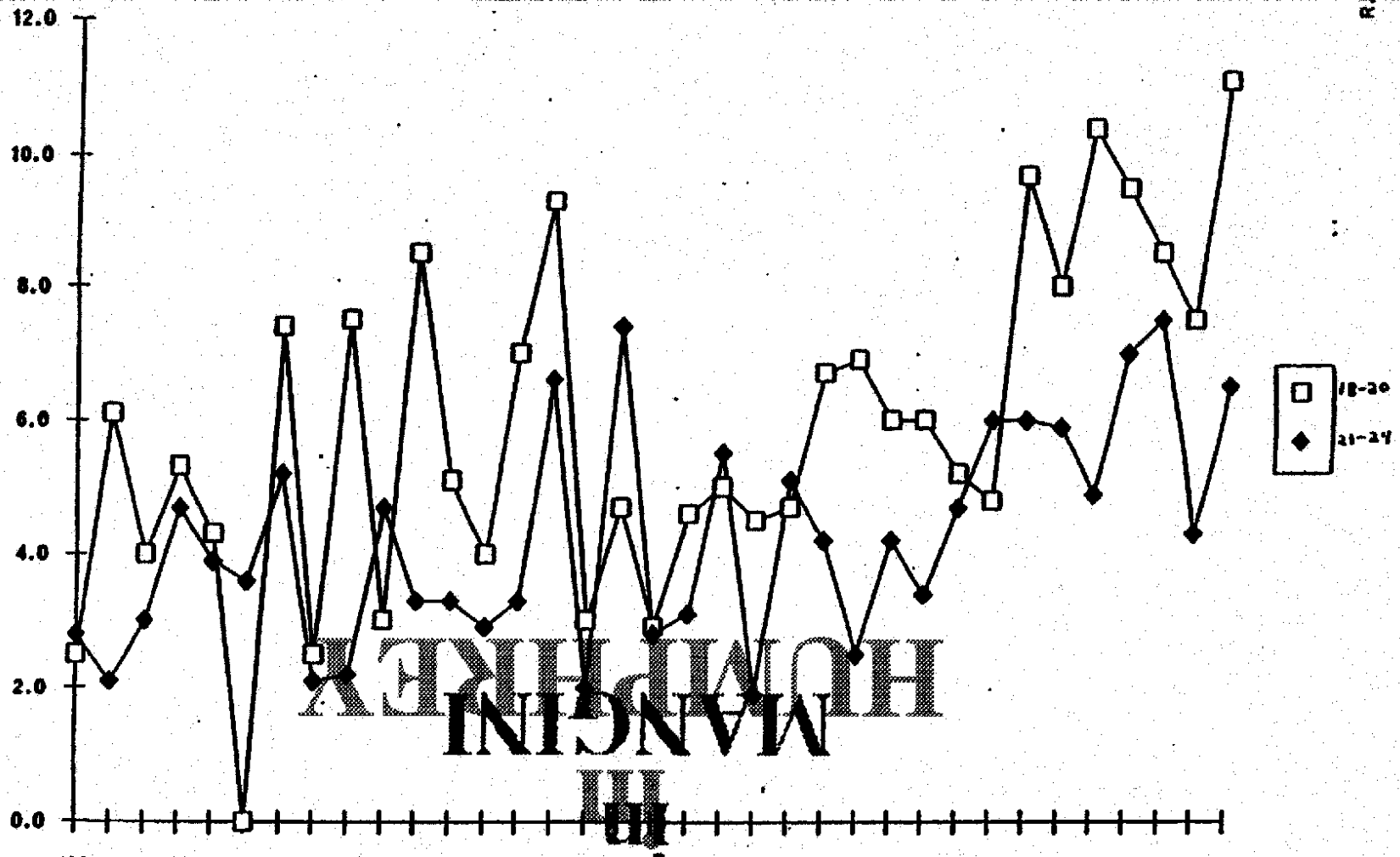
CAMEL (Ex. Reg.)
ASET SHARE OF SMOKERS



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ADULT SMOKERS 18-24
PERFORMANCE TRACKING REPORT

December 31, 1990 — Issued by: J. R. Hribar

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ADULT SMOKERS 18-24
PERFORMANCE TRACKING REPORT
THROUGH NOVEMBER 1990

PURPOSE:

This report provides a summary of share of smoker performance for RJRT and key competitors among adult smokers 18-24. Performance for RJRT brands is tracked relative to 1990 goals as well as trends.

SUMMARY:

Through November 1990, CAMEL continues to perform above goal. Total RJR, MAGNA and the balance of RJR are below goal.

GOAL TRACKING:

- Total RJR: Share among adult smokers 18-24 through November 1990 was 17.2%. Total RJR is .7 share points below its year-to-date goal.
- CAMEL (Ex. Regular): November 1990 year-to-date share of smokers for CAMEL (Ex. Regular) was 6.4%. CAMEL's (Ex. Regular) year-to-date share was .9 share points above goal.
- MAGNA: MAGNA's share of smokers through November 1990 remained at .2%. This is .3 share points below goal.
- Balance of RJR: The balance of RJR (10.6%) continues to perform below its goal of 11.9%. SALEM, WINSTON and VANTAGE are the primary losers at .4 share points below 1989 levels. DORAL is down .2 share points, and NOW is .1 share points below 1989 share levels.

Adult Smokers 18-24
Share of Smokers November 1990 Year-to-Date

	Year 1989	Goal	Actual	Difference	Significant
Total RJR	16.5%	17.9%	17.2%	-.7	Yes
CAMEL (Ex. Reg)	4.4	5.5	6.4	.9	Yes
MAGNA	.2	.5	.2	-.3	Yes
Balance of RJR	11.9	11.9	10.6	-1.3	Yes

Attachments I-IV show monthly performance trends versus goals and 1989 share levels.

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YEAR 1990 GOAL PROJECTIONS:

Based on data through November 1990 and current brand trends, projections have been made through the end of 1990. These are compared with year 1990 share of smoker goals.

	Actual YTD November	1990 Goal	Projected 1990	Projected Dif. Versus Goal
Total RJR	17.2%	18.0%	17.1%	-.9
CAMEL (Ex. Reg.)	6.4	5.6	6.4	+.8
MAGNA	0.2	0.5	0.2	-.3
Balance of RJR	10.6	11.9	10.5	-1.4
WINSTON	3.5	3.9	3.5	-.4
SALEM	4.2	4.6	4.1	-.5
VANTAGE	0.7	1.1	0.8	-.3
DORAL	1.4	1.6	1.4	-.2
OTHER	0.8	0.7	0.7	.0

Note: All differences are statistically significant.

Based on these projections, Total RJR, MAGNA and Balance of RJR will not achieve their 1990 share of smoker ASET goals. CAMEL (Ex. Reg.) will significantly exceed its goal.

PERFORMANCE TRACKING

Competitive: Total RJR's share of adult smokers 18-24 increased 0.7 share points to 17.2% versus year 1989 (Attachment V). RJR continues to show significant growth relative to year 1989 (Attachment VI). Philip Morris' November year-to-date share of 65.9% continues to fall and is 2.1 share points below year 1989. All Philip Morris brands are declining except Cambridge, which is flat versus year ago. Lorillard grew by .5 share points to 11.4%, and Brown & Williamson grew .3 share points to 3.0%.

RJR Brands: CAMEL's (Ex. Regular) share of adult smokers 18-24 was up 2.0 share points compared with year 1989. November year-to-date, CAMEL (Ex. Regular) posted a 6.4% share.

MAGNA's November year-to-date share of adult smokers 18-24 continued to be flat at 0.2%, with the long-term share trend for the brand also being relatively flat (Attachment VIII).

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The share of smokers for SALEM fell .4 share points versus 1989 to 4.2% for November year-to-date. The brand's trend has been declining since October Quarter 1989 (Attachment IX). WINSTON's November year-to-date share of 3.5% fell .4% share points compared to year 1989. Vantage share of smokers also fell .4 share points versus 1989 to .7% for November year-to-date.

All the other RJR brands were either flat or off slightly compared to 1989.

Competitive Brands: Marlboro's share of adult smokers 18-24 November year-to-date was 57.3%, down .1 share points versus 1989. Also, the brand share among 18-24 male smokers was down 2.5 share points. It is among this group that CAMEL is experiencing its largest share gains. Marlboro's long-term trend showed signs of softness in recent periods (Attachment X). Most of the other Philip Morris brands experienced share declines among adult smokers 18-24. Virginia Slims (-1.0 share points), Benson & Hedges (-.8 share points) and Merit (-.5 share points) exhibited significant losses while Cambridge was unchanged versus 1989.

Newport was up .5 share points November year-to-date versus 1989 to 11.1%, with its apparent trend relatively flat (Attachment XI).

The next Performance Tracking Report for December, 1990 will be issued January [illegible], 1991.

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ATTACHMENT 1

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TOTAL RJR
Share Of Adult Smokers 18-24

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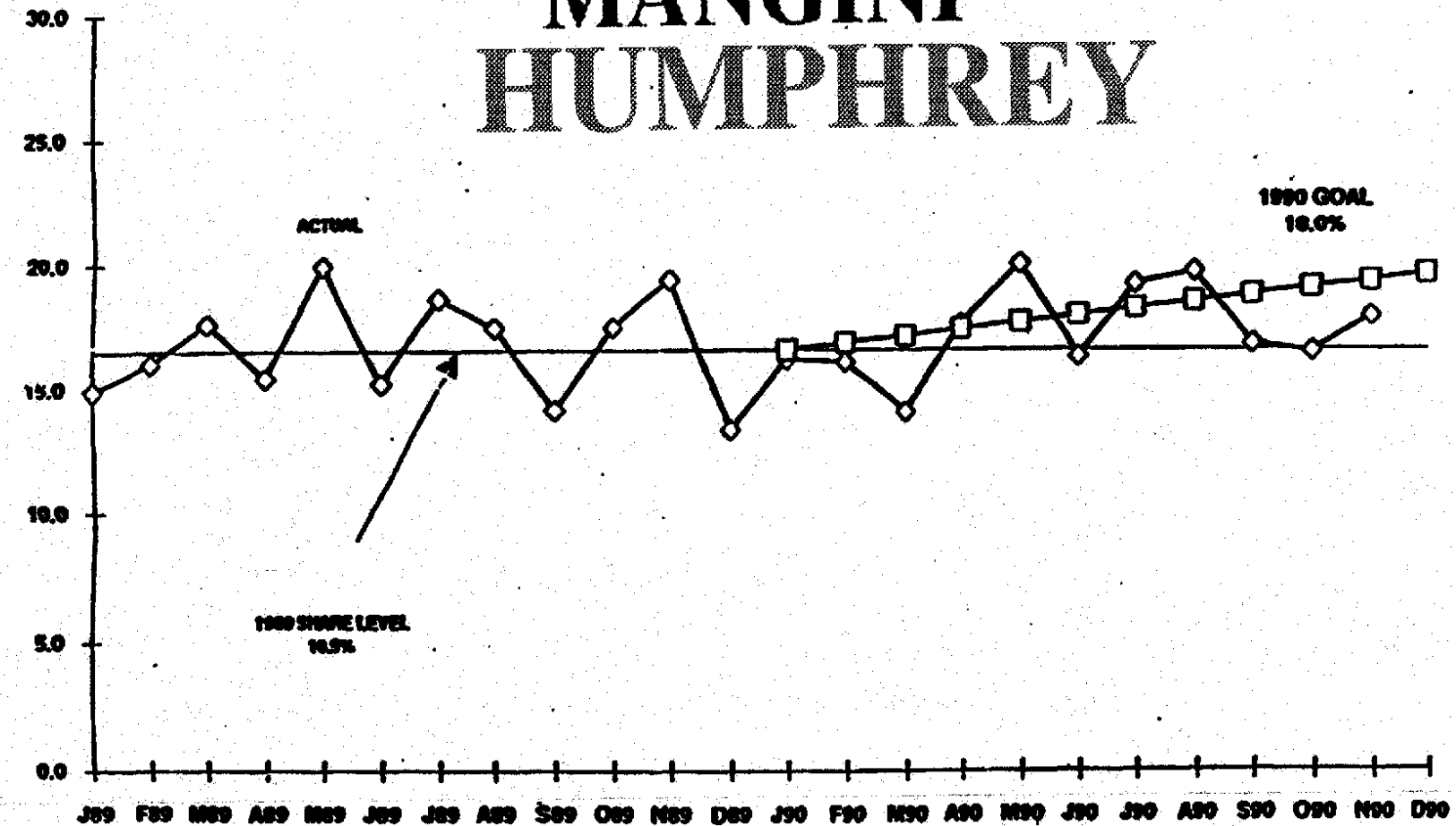

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CAMEL (Non-Regular)
Share Of Adult Smokers 18-24

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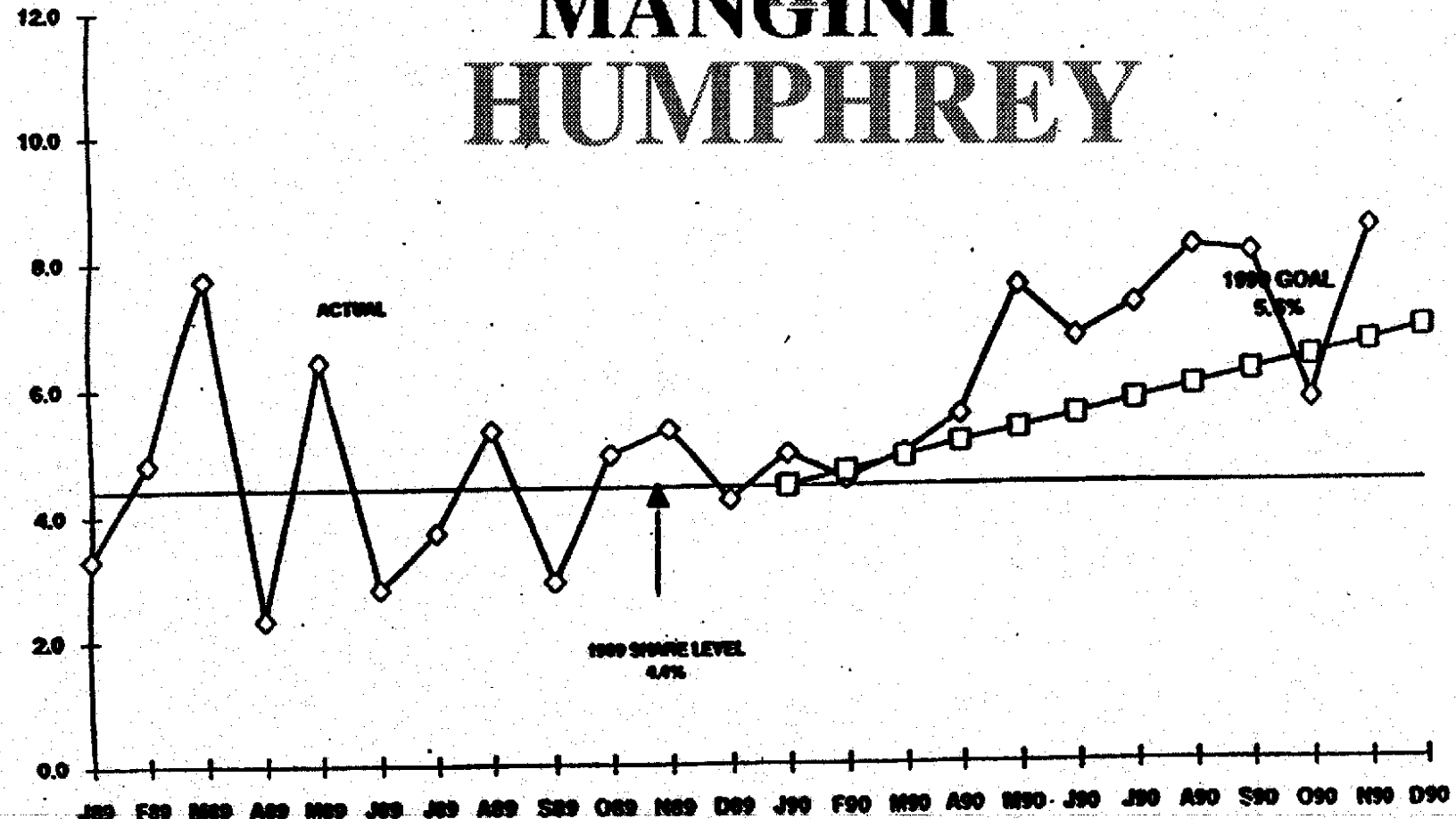

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ATTACHMENT III

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TOTAL MAGNA
Share Of Adult Smokers 18-24

III

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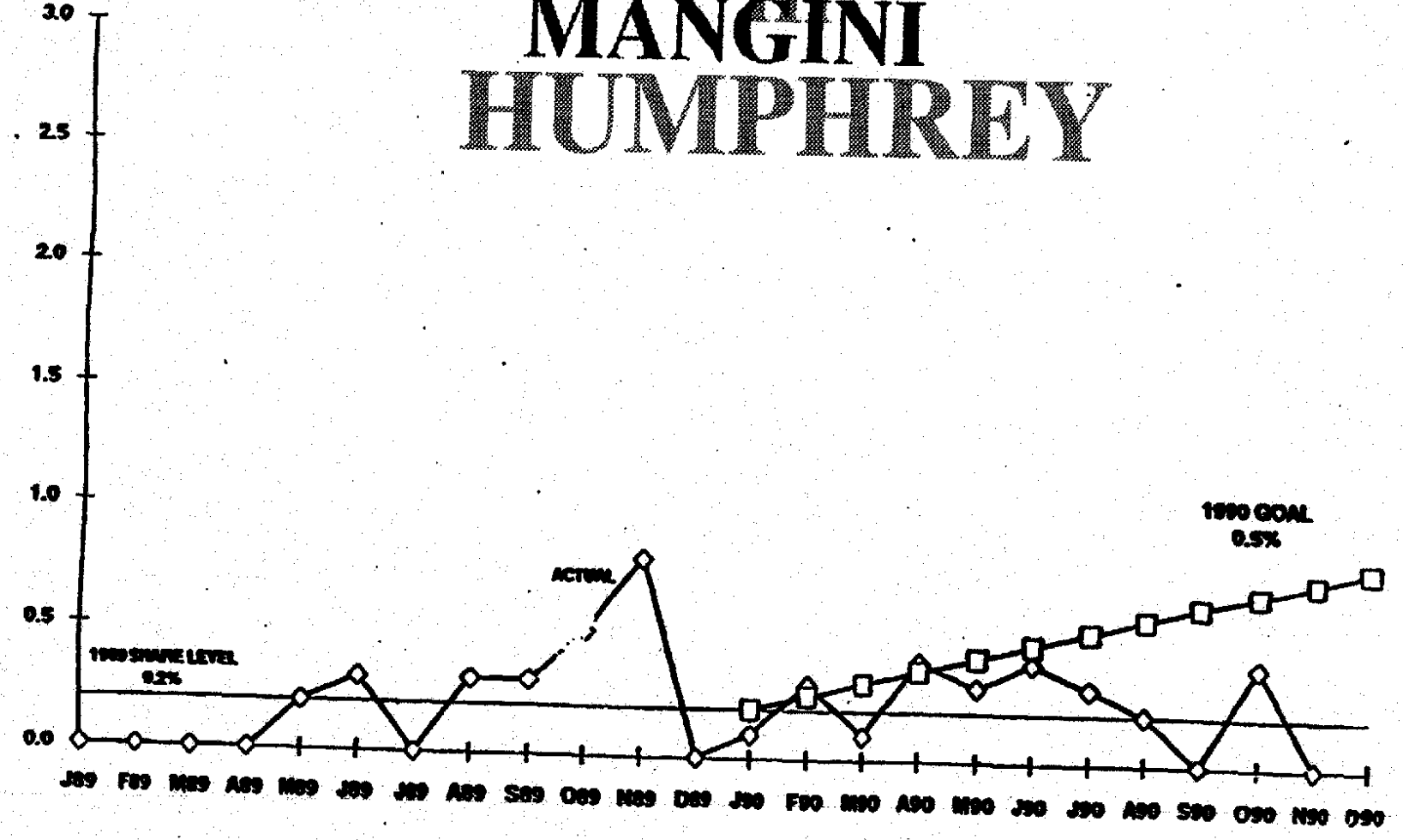

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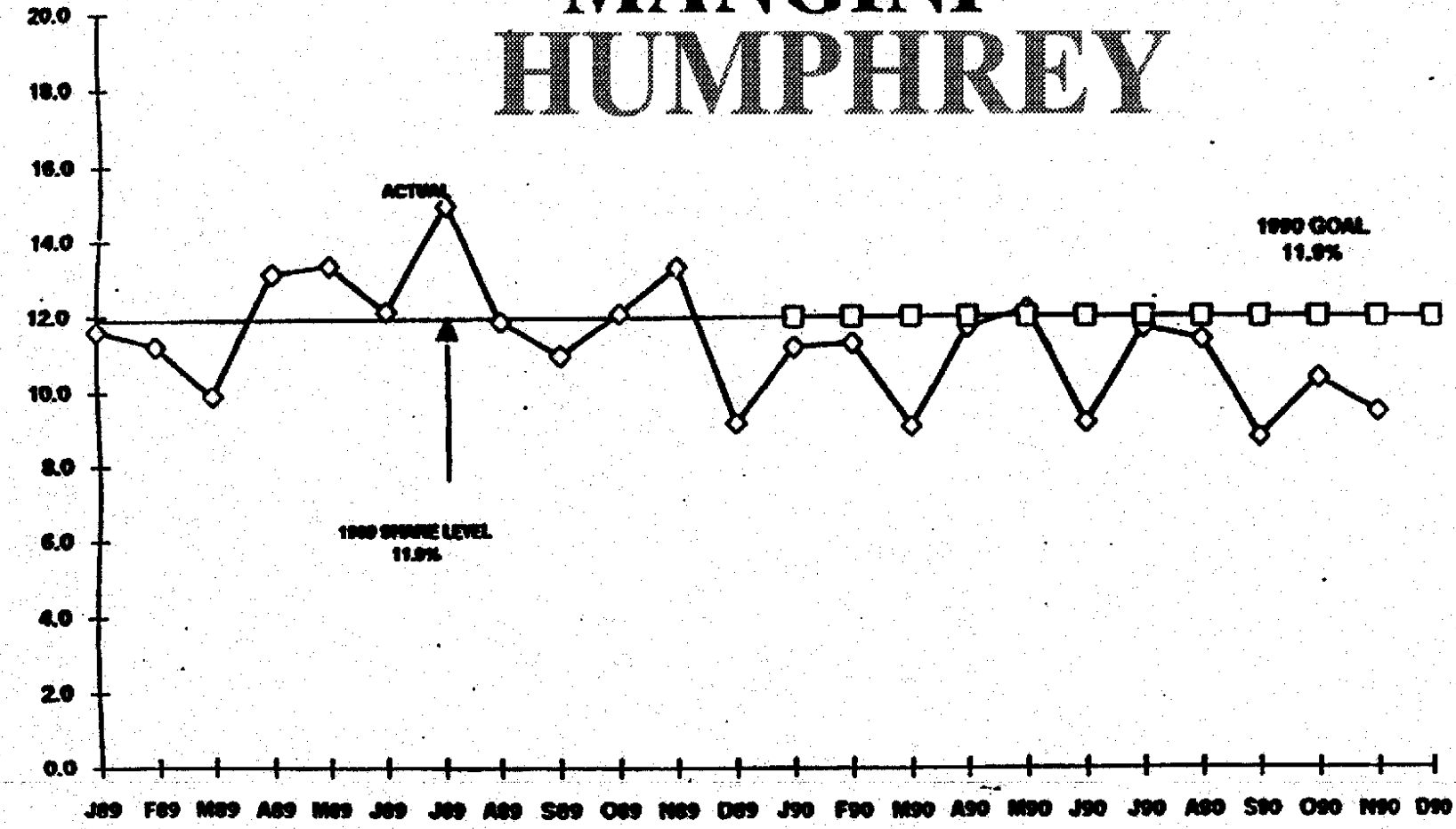
BALANCE OF RJR
Share Of Adult Smokers 18-24



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ATTACHMENT

CLAIMED USUAL BRANDS BY 4 MONTH SUMMARY REPORT

SHARE OF SMOKERS TRACKING, NOVEMBER, 1990

COMPARISON OF YEAR 1989 VERSUS NOVEMBER YEAR-TO-DATE 1990

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COMPANY/ CLAIMED USUAL BRAND	NOVEMBER YEAR-TO-DATE 1990 TOTAL 18-24	TOTAL 18-20	TOTAL 21-24	MALE 18-24	FEMALE 18-24	CHANGE VERSUS YEAR 1989 TOTAL 18-24	TOTAL 18-20	TOTAL 21-24	MALE 18-24	FEMALE 18-24
R.J. REYNOLDS	17.2	15.6	18.2	17.7	14.4	0.7	0.8	0.6	1.6	-0.4
PHILIP MORRIS	65.9	68.1	64.4	64.4	67.5	-2.1	-2.4	-1.9	-3.3	-0.8
LORILLARD	11.4	12.5	10.7	10.5	12.5	0.5	1.3	0.0	0.5	0.6
BROWN & WILLIAMSON	3.0	2.2	3.6	2.5	3.5	0.3	0.0	0.6	0.2	0.3
LIGGETT & MYERS	0.3	0.2	0.4	0.3	0.4	0.1	0.2	0.1	0.2	0.1
AMERICAN	0.6	0.3	0.8	0.8	0.5	0.2	0.1	0.3	0.4	0.1
CAMEL	6.8	8.1	5.9	9.9	3.4	2.2	2.6	1.8	2.8	1.5
CAMEL (EX NF)	6.4	7.9	5.5	9.2	3.4	2.0	2.6	1.6	2.5	1.5
MAGNA	0.2	0.1	0.3	0.3	0.1	0.0	0.0	0.0	0.0	0.0
WINSTON	3.5	3.3	3.7	4.7	2.2	-0.4	-0.2	-0.4	-0.4	-0.4
SALEM	4.2	2.6	5.2	2.8	5.7	-0.4	-0.9	0.0	-0.1	-0.8
VANTAGE	0.7	0.4	1.0	0.8	0.6	-0.4	-0.4	-0.3	-0.5	-0.3
DORAL	1.4	0.9	1.7	0.9	1.8	-0.2	0.0	-0.3	-0.1	-0.3
MORE	0.1	0.1	0.1	0.1	0.1	0.0	0.1	-0.1	0.1	-0.1
NOW	0.1	0.0	0.1	0.0	0.2	-0.1	-0.2	-0.1	-0.2	0.0
CENTURY	0.2	0.1	0.2	0.1	0.2	0.1	0.0	0.1	0.1	0.1
MARLBORO	57.3	62.4	53.9	60.4	53.9	-0.1	-1.2	0.5	-2.5	2.7
VIRGINIA SLIMS	2.9	2.1	3.5	0.1	6.0	-1.0	0.0	-1.6	0.1	-2.2
BENSON & HEDGES	2.0	1.4	2.4	0.9	3.2	-0.8	-0.8	-0.9	-0.6	-1.2
MERIT	1.5	0.6	2.2	1.6	1.4	-0.5	-0.4	-0.4	-0.5	-0.4
CAMBRIDGE	0.6	0.4	0.8	0.3	0.9	0.0	0.0	0.1	0.0	0.0
NEWPORT	11.1	12.3	10.3	10.1	12.2	0.5	1.4	-0.1	0.4	0.6
KOOL	1.9	1.4	2.2	2.1	1.7	0.3	0.1	0.3	0.3	0.2
GENERIC/PVT LABEL	0.6	0.3	0.8	0.6	0.6	0.2	0.0	0.4	0.1	0.4

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ADULT SMOKERS 18-24

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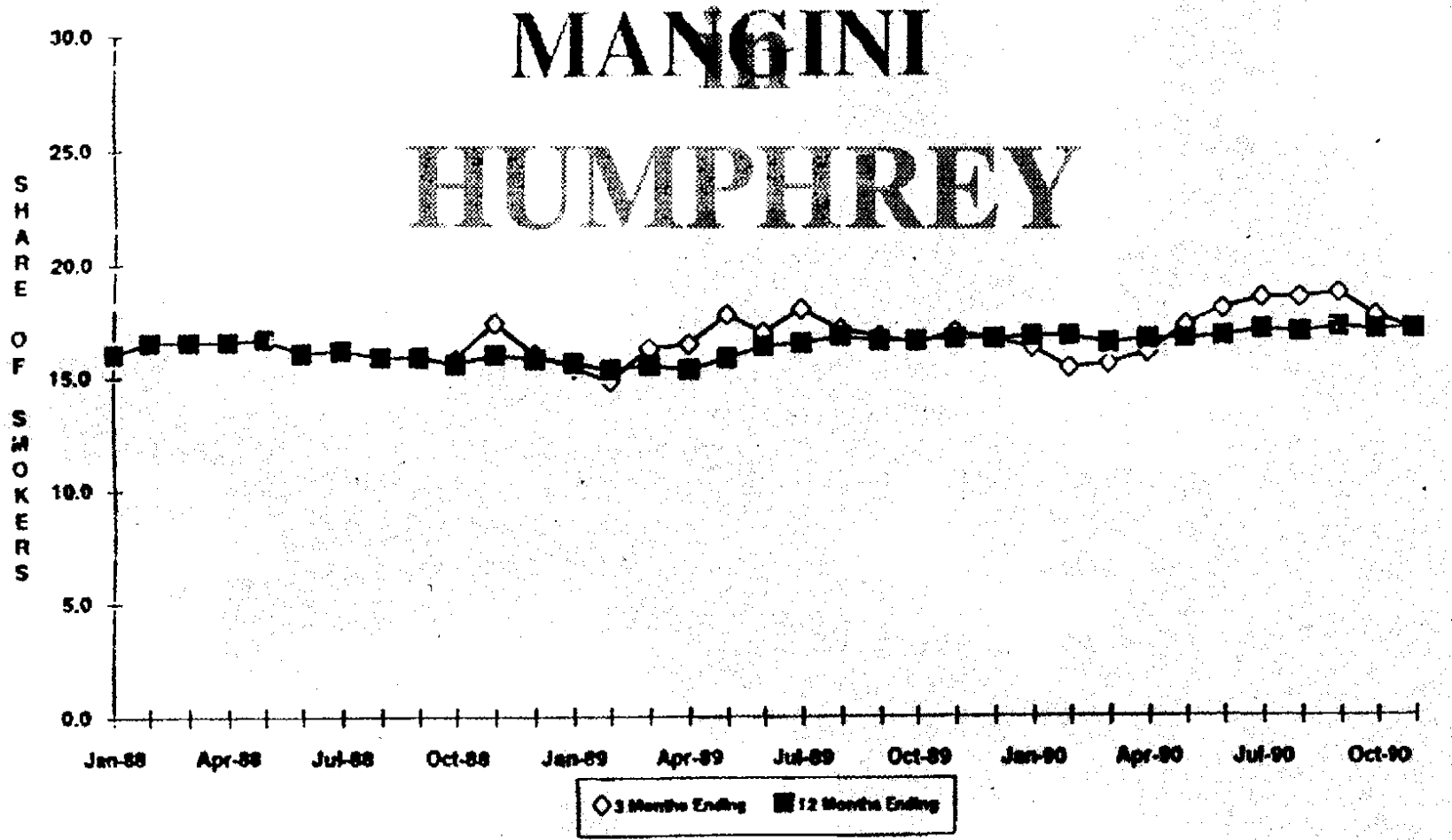

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CAMELS Reg.)
ADULT SMOKERS 18-24

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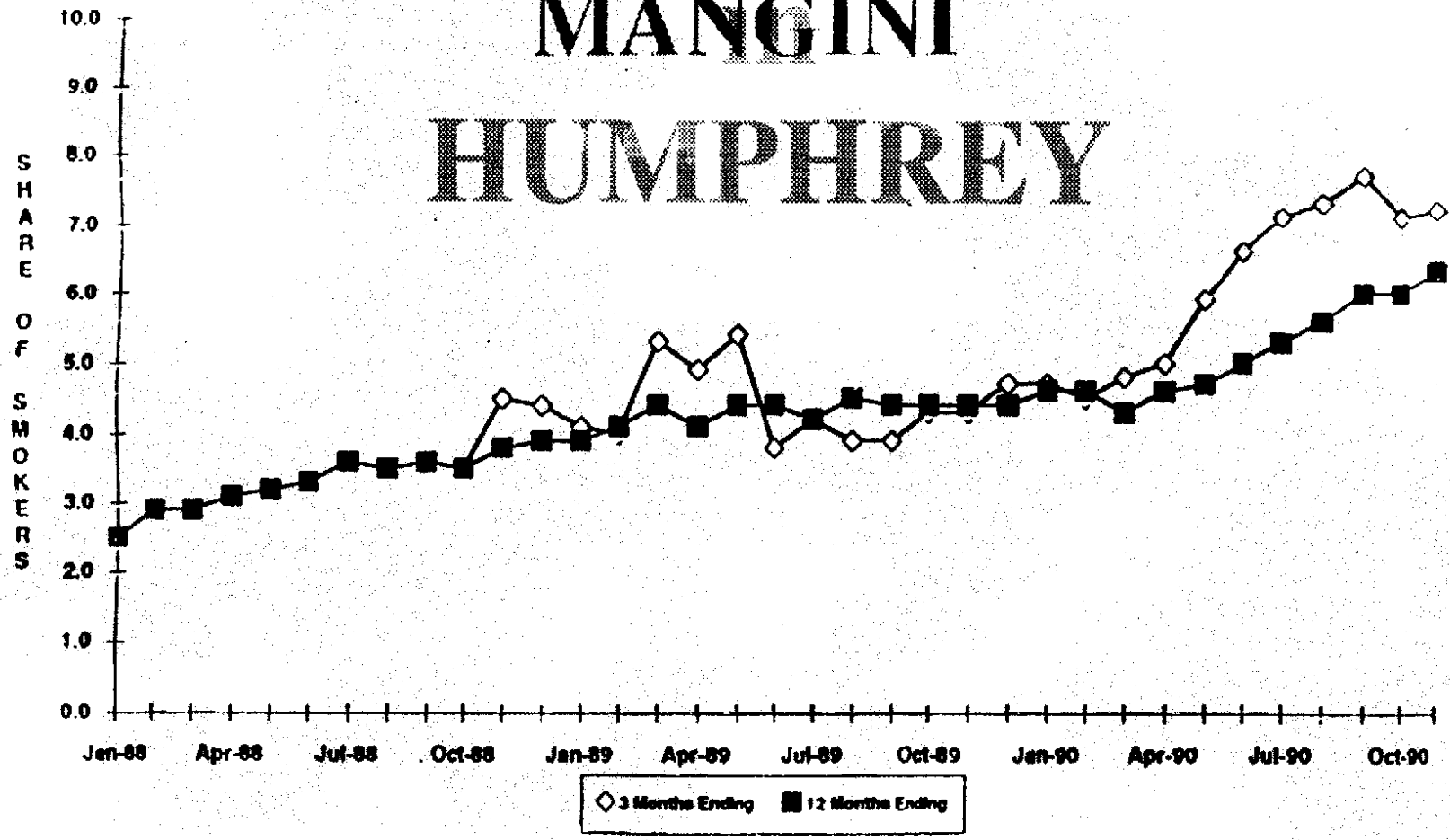

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ATTACHMENT VII

TOTAL MAGNA
ADULT SMOKERS 18-24

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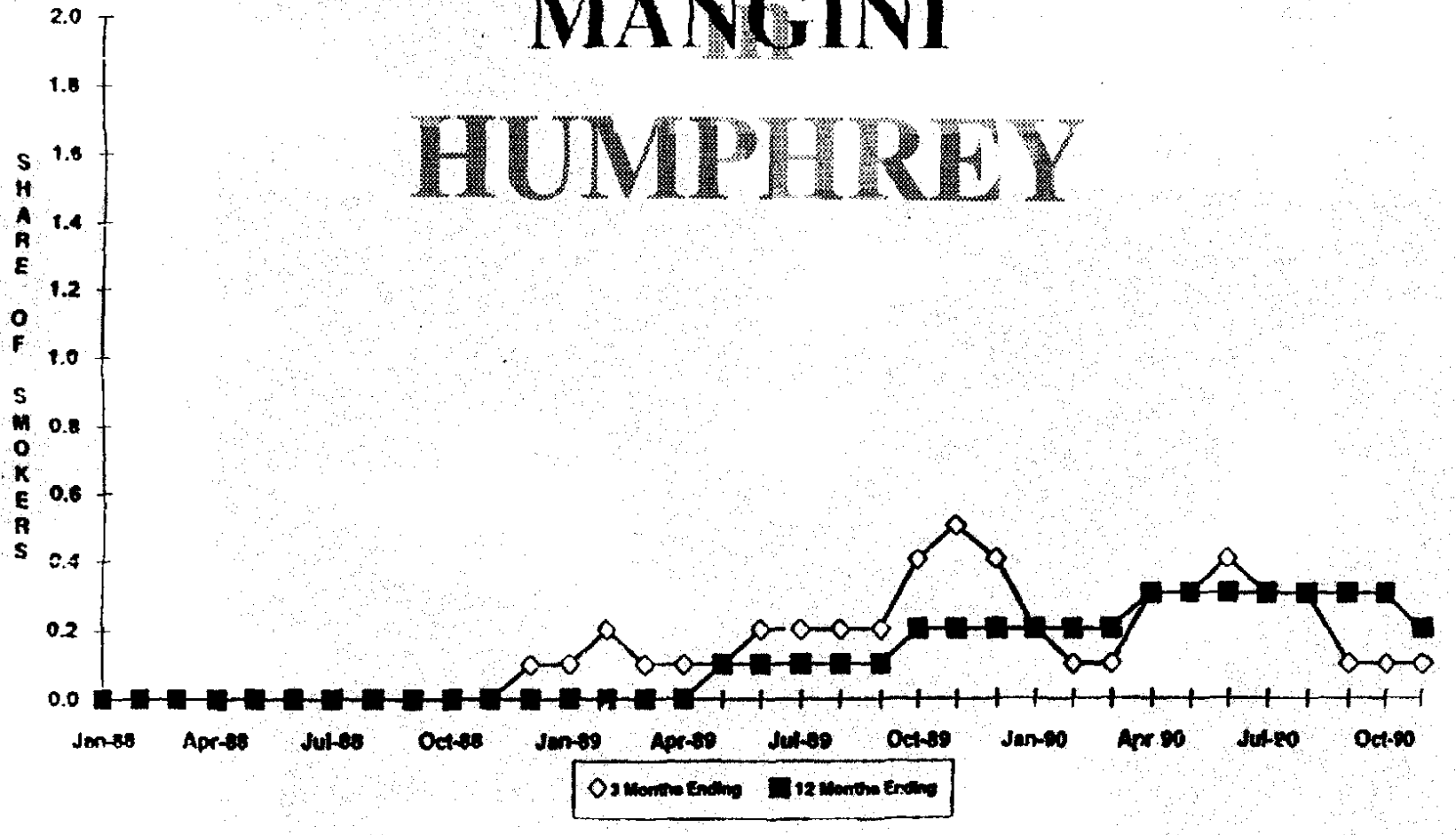

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ATTACHMENT IX

TOTAL SALEM
ADULT SMOKERS 18-24

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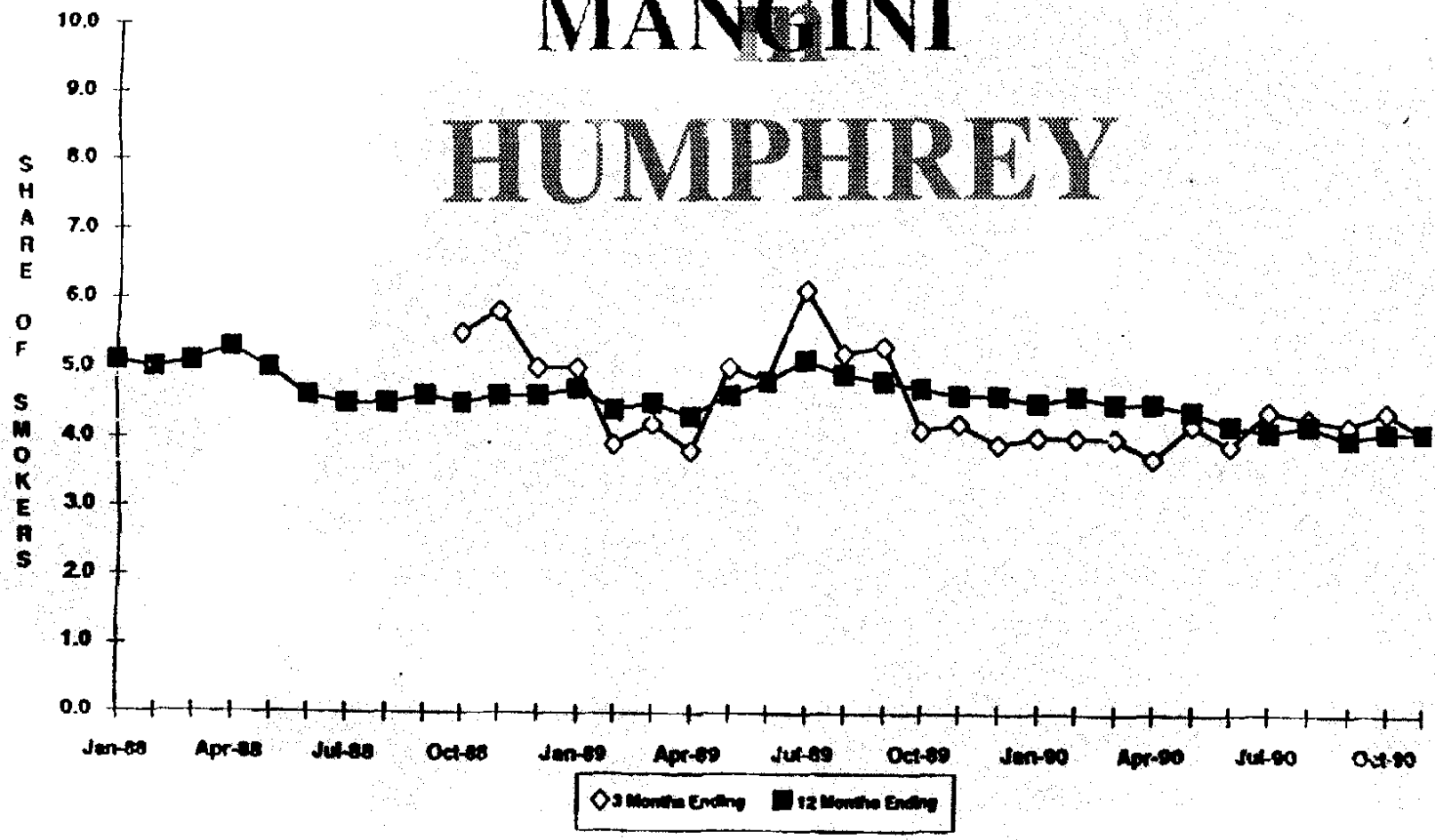

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TOTAL MARLBORO
ADULT SMOKERS 18-24

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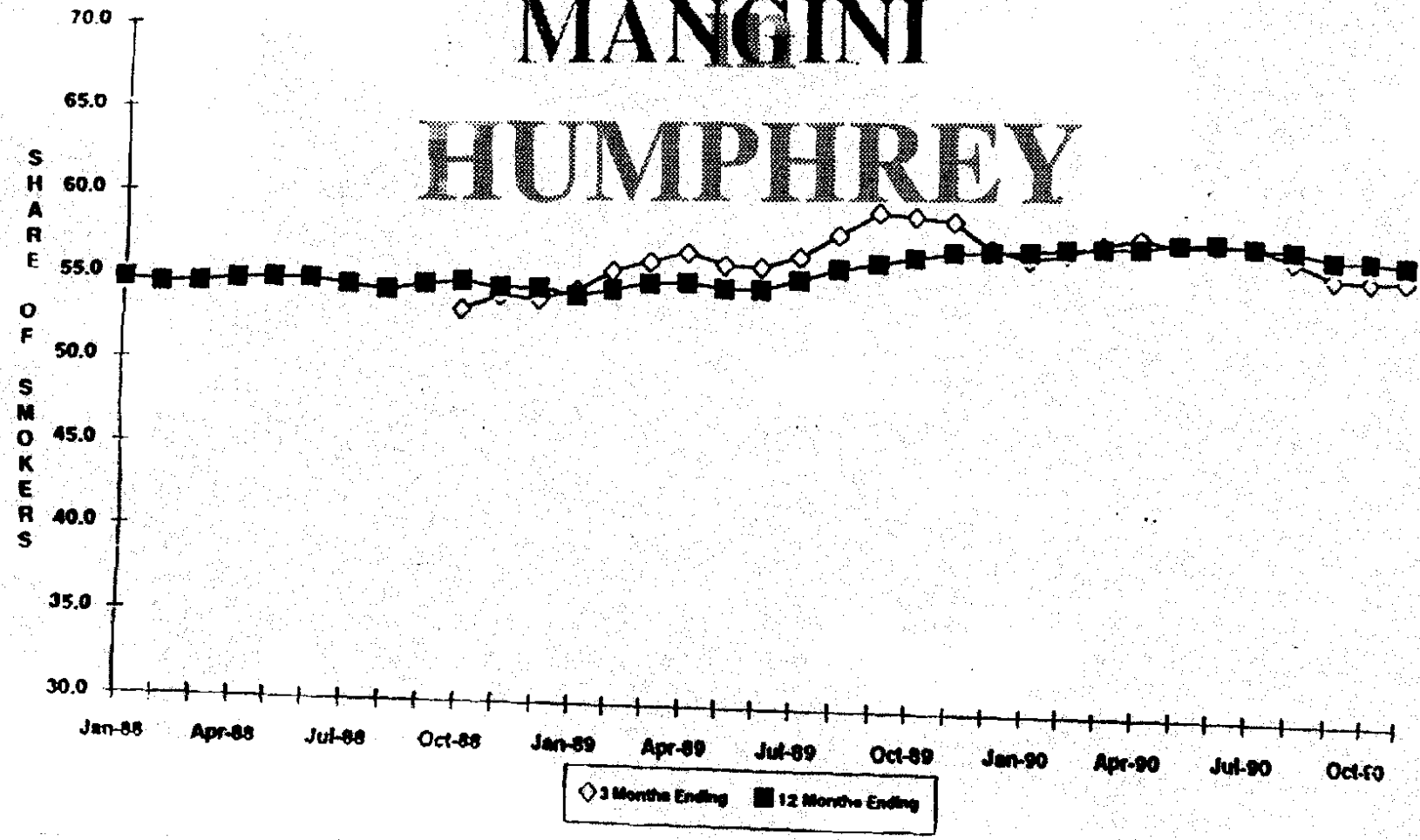

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TOTAL NEWPORT
ADULT SMOKERS 18-24

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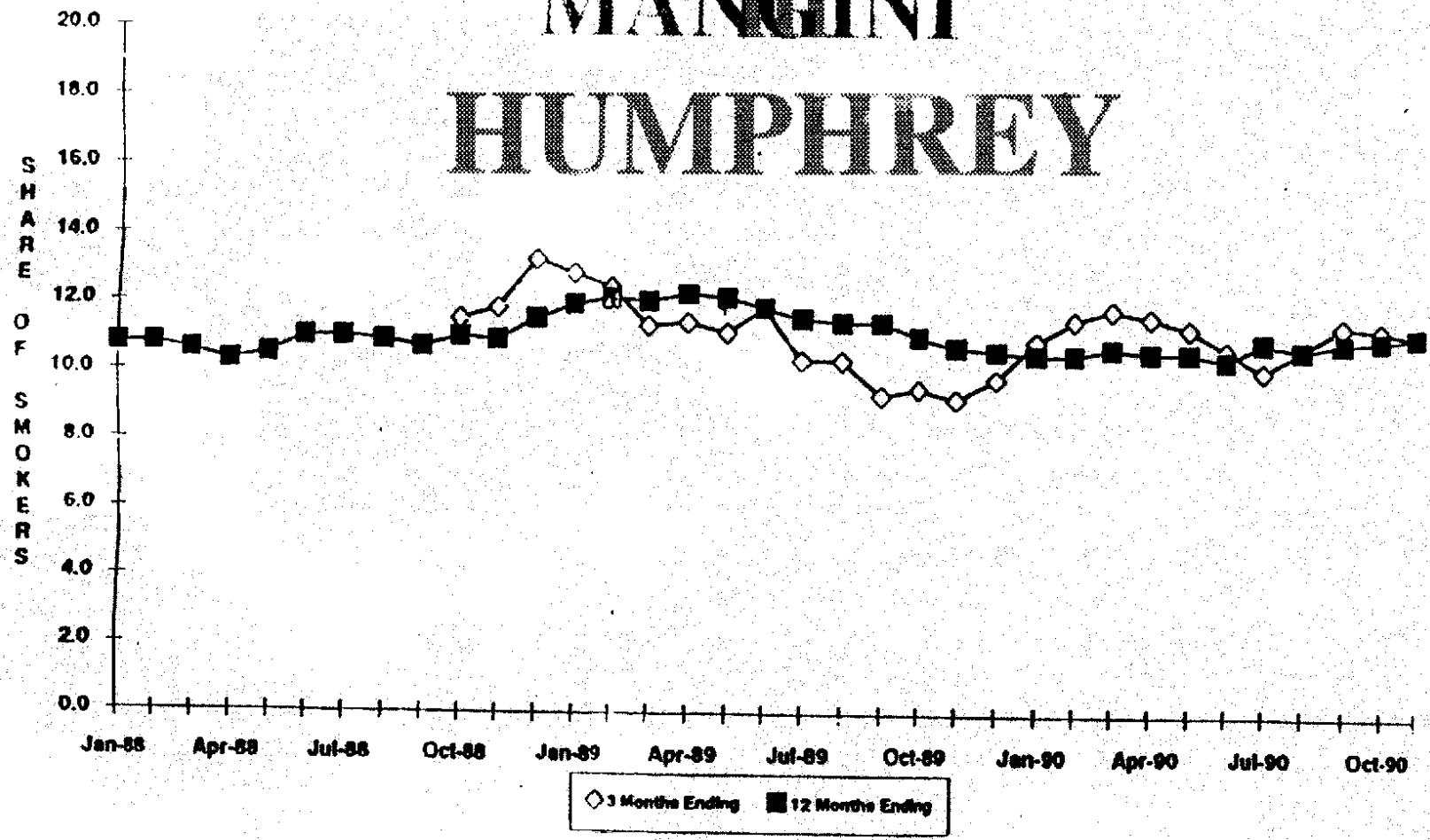

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November 12, 1991

CC: H. Hornik

TO: Ms. M.P. Abbott, Mr. E.M. Blackmer, Mr. E.J. Fackelman, Mr. E.C. Leary, Ms. J.Y. Marshall, Mr. J.R. Moore, Mr. D.H. Murphy, Ms. R.C. Pasterczyk, Ms. C.M. Smith, Mr. J.D. Weber, Mr. W.P. Whitlatch

FROM: Scott Cairey

SUBJECT: CAMEL ASET FLASH REPORT - OCTOBER

Below is a summary of adult smoker 18-24 performance versus goal for CAMEL (Ex. Regular). Also included is three month ending data for the most recent three periods which will provide current trends for comparison with year-to-date performance. The fourth Quarter 1990 share is reported to compare the 1990 exit share with current performance. Additional information includes RJR Full Price, RJR Savings and total RJR among ASETS.

ADULT SMOKERS 18-24
SHARE OF SMOKERS (%)

	Year 1990	4th Qtr. 1990	Y-T-D (October 1991) Goal	Actual	Difference vs. Goal	vs. 1990	3 Months Ending Aug	Sept	Oct
CAMEL (Ex. Reg)	8.6	7.5	8.6	7.5	-1.1*	0.9*	6.9	7.1	8.4
RJR Full Price	15.7	16.6	N/A	14.9	N/A	-0.8*	14.6	14.7	15.3
RJR Savings	1.7	1.5	N/A	2.2	N/A	0.5*	2.2	2.4	2.8
Total RJR	17.4	18.1	N/A	17.1	N/A	-0.3	16.8	17.1	18.3

* Significant at the 80% confidence level

SGC:shf
Attachments

cc: Mike Coppotelli
Ken Dobbins
Jeff Walters

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CAMEL (Ex. Reg.)

ADULT SMOKERS 18-24

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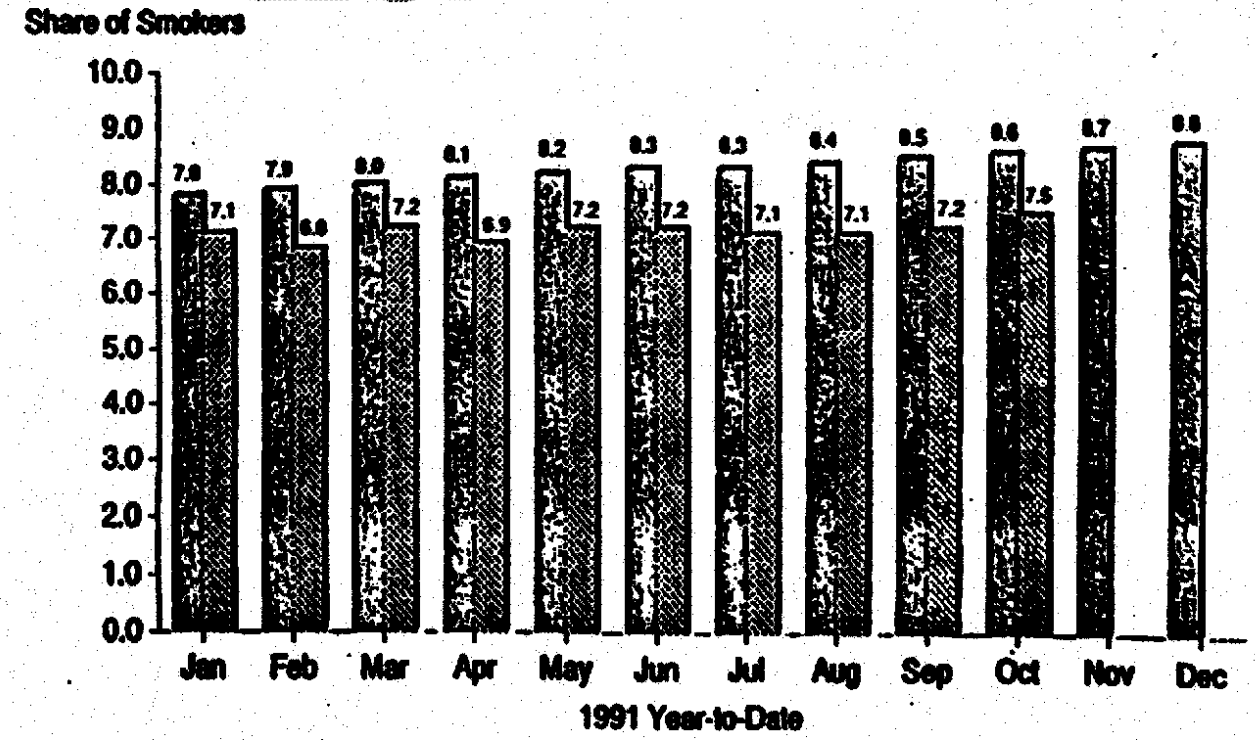

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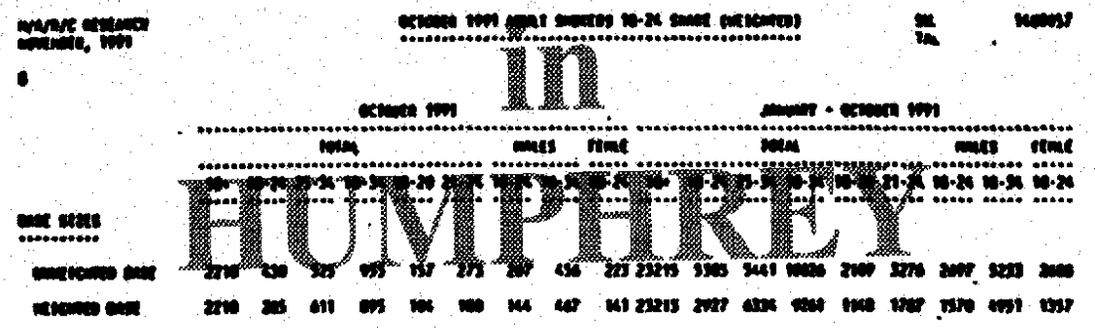

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R/A/R/C RESEARCH
NOVEMBER, 1991

OCTOBER 1991 ADULT SMOKERS 18-24 SHARE (WEIGHTED)

SURVEY NO. 9180057
TABLE 2

2

BRAND FAMILY SUMMARY	OCTOBER 1991 TOTAL 10+	TOTAL 18-24	TOTAL 25-34	TOTAL 18-34	TOTAL 18-20	TOTAL 21-24	MALES 18-24	MALES 18-34	FEMALE 18-24	JANUARY - OCTOBER 1991 TOTAL 10+	TOTAL 18-24	TOTAL 25-34	TOTAL 18-34	TOTAL 18-20	TOTAL 21-24	MALES	FEMALE 18-24
	2290	285	611	895	104	180	344	467	161	25213	2927	6334	9261	1560	3787	.01	1357
RJR	596 26.0	46 16.1	159 26.0	205 22.9	21 20.1	32 17.6	28 19.8	100 21.4	17.5	6695 26.5	498 17.0	1425 22.5	1923 20.7	266 16.6	512 13.5	342 10.9	1153 23.3	166 12.9
CAMEL	86 3.9	28 9.9	15 2.5	43 4.9	17 16.1	11 6.3	18 12.6	32 6.9	10 7.2	1016 4.4	225 7.7	282 4.4	506 5.5	107 6.6	118 3.1	372 10.9	416 8.4	53 3.9
CAMEL MLT	2 .1	1 .2	-	1 .1	-	1 .6	1 .5	1 .3	-	58 .2	7 .2	26 .4	33 .4	2 .2	5 .3	5 .3	24 .5	2 .1
CAMEL (EXC. MT)	69 3.1	28 9.9	15 2.5	43 4.9	17 16.1	11 6.3	18 12.6	32 6.9	10 7.2	787 3.4	218 7.5	248 4.2	466 5.2	103 9.1	115 3.1	166 10.6	300 6.9	52 3.9
CENTURY	9 .4	-	1 .2	1 .1	-	-	-	-	-	93 .4	2 .1	12 .3	19 .2	-	2 .1	9 .3	10 .2	1 .1
DORAL	79 3.6	5 1.8	11 2.1	18 2.0	1 1.2	6 3.5	1 .5	8 1.8	4 3.1	759 3.3	69 2.7	189 3.8	258 2.6	15 1.5	33 1.0	22 1.4	123 2.5	27 2.0
MACRA	3 .3	1 .4	1 .2	3 .3	1 1.2	-	-	1 .3	1 .9	53 .2	12 .4	21 .3	33 .4	4 .4	8 .6	8 .5	25 .5	3 .2
MORE	19 .9	-	1 .2	1 .1	-	-	-	1 .3	-	262 1.1	3 .1	23 .4	26 .3	1 .1	2 .1	-	7 .1	3 .2
NOW	14 .7	1 .5	1 .2	2 .3	-	1 .6	1 1.0	1 .3	-	206 .9	6 .1	16 .3	29 .2	- *	4 .2	1 .1	5 .1	3 .2
SALEM	138 6.1	8 2.7	43 7.1	51 5.7	1 1.2	6 3.6	1 1.0	21 4.5	6 4.5	1579 6.8	86 3.0	448 7.0	527 5.7	21 1.9	65 3.6	29 1.8	201 6.1	58 4.3
VANTAGE	45 2.0	3 1.0	7 1.1	10 1.1	-	3 1.9	2 1.4	6 1.3	1 .6	498 2.1	21 .7	97 1.5	118 1.3	5 .5	16 .9	13 .8	69 1.4	8 .6
WINSTON	185 8.4	7 2.4	31 5.1	38 4.3	1 .7	6 3.6	5 3.4	27 5.8	2 1.5	1942 8.4	98 3.3	326 5.1	424 4.6	34 3.0	63 3.5	47 4.3	299 6.8	30 2.2
RJR FULL PRICE	485 21.9	45 15.7	108 16.3	144 16.1	17 16.7	27 15.1	26 17.9	61 18.6	19 13.5	5503 23.7	435 14.9	1105 16.7	1620 17.5	168 16.7	267 15.8	200 17.8	996 20.1	156 11.5
RJR SAVINGS	108 4.5	6 2.2	17 2.9	24 2.7	3 2.4	4 2.1	1 .5	10 2.1	4 4.0	929 4.0	63 2.2	230 3.6	293 3.2	19 1.7	44 2.4	31 1.9	154 3.1	33 2.4

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CURRENT ROLLING QUARTER
AUGUST 1991 - OCTOBER 1991

	TOTAL				MALE				FEMALE
	18+	18-24	25-34	18-34	18-20	21-24	18-24	25-34	18-24
	4671	837	1812	2650	311	526	443	1410	394

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BRAND FAMILY SUMMARY

RJR	1406	170	368	538	46	96	87	197	67
	30.1	20.3	20.3	19.8	14.8	18.3	19.6	14.0	17.0
CAMEL	279	72	64	136	39	33	48	100	24
	6.2	8.6	3.5	5.1	12.4	6.3	10.8	7.1	6.1
CAMEL ULT	11	1	7	8	-	1	1	6	3
	.2	.1	.4	.3		.2	.2	.3	.1
CAMEL (EXC. MF)	217	70	64	134	39	31	46	98	24
	3.5	8.4	3.5	5.1	12.4	5.9	10.4	6.9	6.1
CENTURY	23	-	5	5	-	-	-	1	-
	.5		.3	.2				.1	
DORAL	236	19	47	66	4	15	7	36	12
	3.5	2.3	2.6	2.5	1.2	2.9	1.6	2.5	3.0
MACNA	20	4	10	14	1	3	3	11	2
	.3	.5	.6	.5	.4	.6	.6	.7	.5
MORE	71	-	5	5	-	-	-	6	-
	1.1		.3	.2				.3	
NOU	55	3	3	6	-	3	1	1	1
	.8	.3	.2	.2		.5	.3	.1	.3
SALEM	448	24	122	146	5	18	6	58	18
	6.7	2.9	6.7	5.5	1.8	3.5	1.3	4.1	4.6
VANTAGE	137	6	26	31	1	3	2	14	2
	2.1	.5	1.4	1.2	.4	.6	.5	1.0	.6
WINSTON	571	27	85	110	9	18	20	77	7
	8.6	3.3	4.8	4.1	3.0	3.4	4.5	5.6	1.9
RJR FULL PRICE	1559	128	304	432	51	75	75	252	53
	23.6	15.3	16.8	16.3	17.1	14.2	16.9	17.9	13.4
RJR SAVINGS	294	23	64	87	5	18	10	48	14
	4.4	2.8	3.5	3.3	1.6	3.5	2.2	3.4	3.4

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March 21, 1994

TO: L. J. Beasley
E. C. Leary

FROM: R. C. Pasterczyk

RE: Camel (ex NF) SOS by Age Year

In an effort to understand the aging phenomenon for Camel (ex NF) since the 1988 repositioning, Tracker re-tabs were obtained within age year. Attached are the graphs showing Camel, Marlboro, and Newport SOS among 18-29 year olds from 1985-93. Key findings indicate:

- Camel's SOS skew has become increasingly 18-24 since the 1988 repositioning.
- As smokers age, Camel's share is becoming larger in the older age years.

  In fact, if you look at the number tables on the diagonal lines (18 year olds in 1988 vs. 19 in 1989 and 20 in 1990, etc.), you can see that Camel captures a higher percentage of the older age years as smokers age. For example, Camel had [illegible] of 19 year olds in 1988 and 9.02% of 24 year olds in 1993. This indicates that the brand maintains its relevance as smokers age, not only holding onto smokers as they age, but capturing additional smokers in the next age year. (Since Tracker is not a static sample, there is no way to estimate the proportion of smokers who are held vs. new smokers switched.)

The key competitors that are also 18-24 skewed, however, show a somewhat different story as smokers age.

- Both Marlboro and Newport start with a higher base share level among 18 year olds than Camel. However, these brands lose smokers over time due to switching as these smokers age. This is because these brands are more established among the 18-24 base smoker group than Camel because of their longer history of strength among this smoker segment.

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Conclusion

As a result of the repositioning, Camel is appealing to the intended 18-24 year old prospect, and this appeal does not seem to diminish with aging among those who buy-in to the brand. Further, the evidence suggests that the Camel image is appealing to older smokers as well, since each age year tends to show SOS improvement over time.

If you have any questions or would like to discuss further, please give me a call.

Reggie

R. C. Pastercznik

cc: G. M. Blynn
E. J. Fackelman
D. H. Murphy
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Carmel Share by Age 1985-1993

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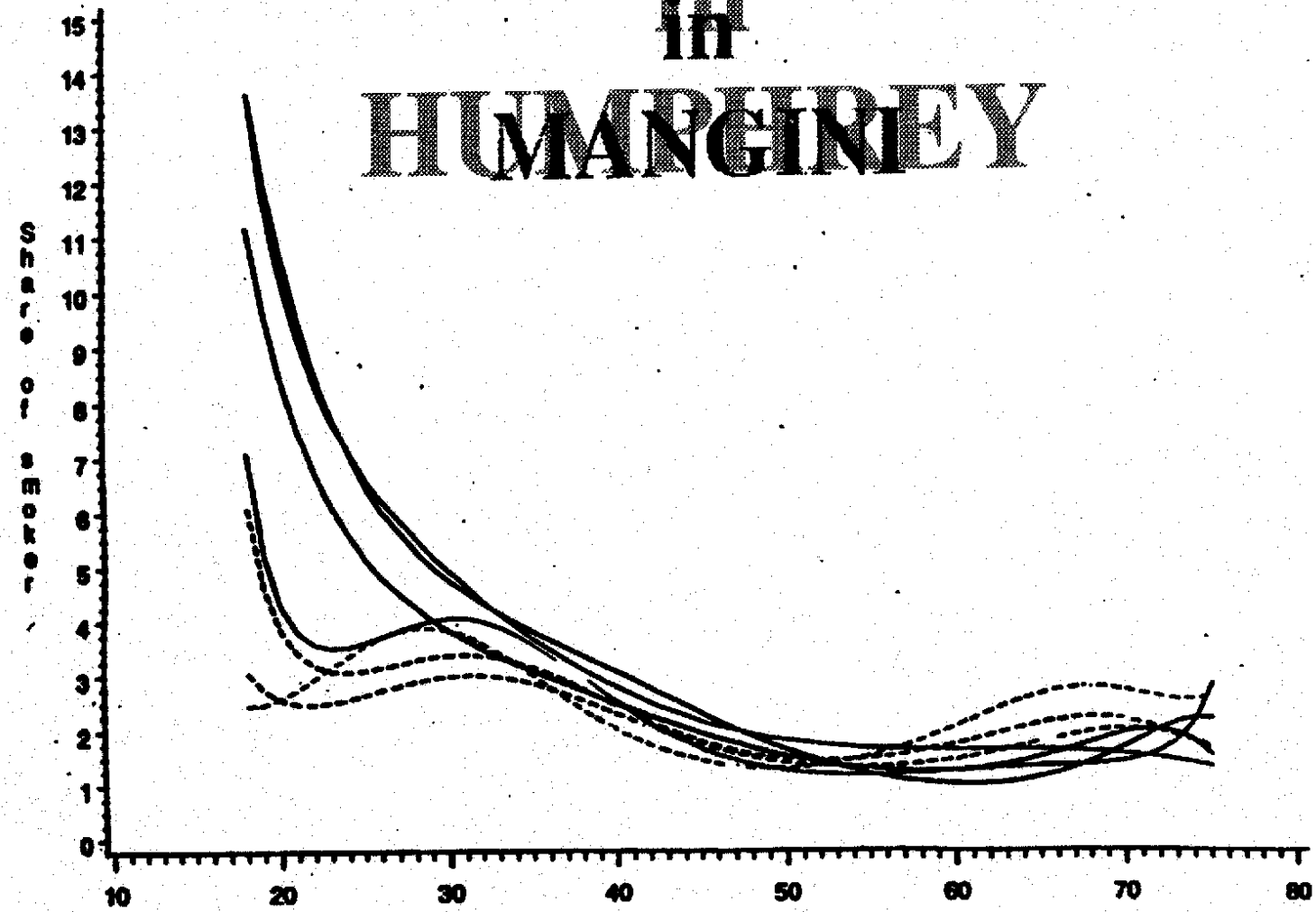

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Marlboro Share by Age 1985-1993

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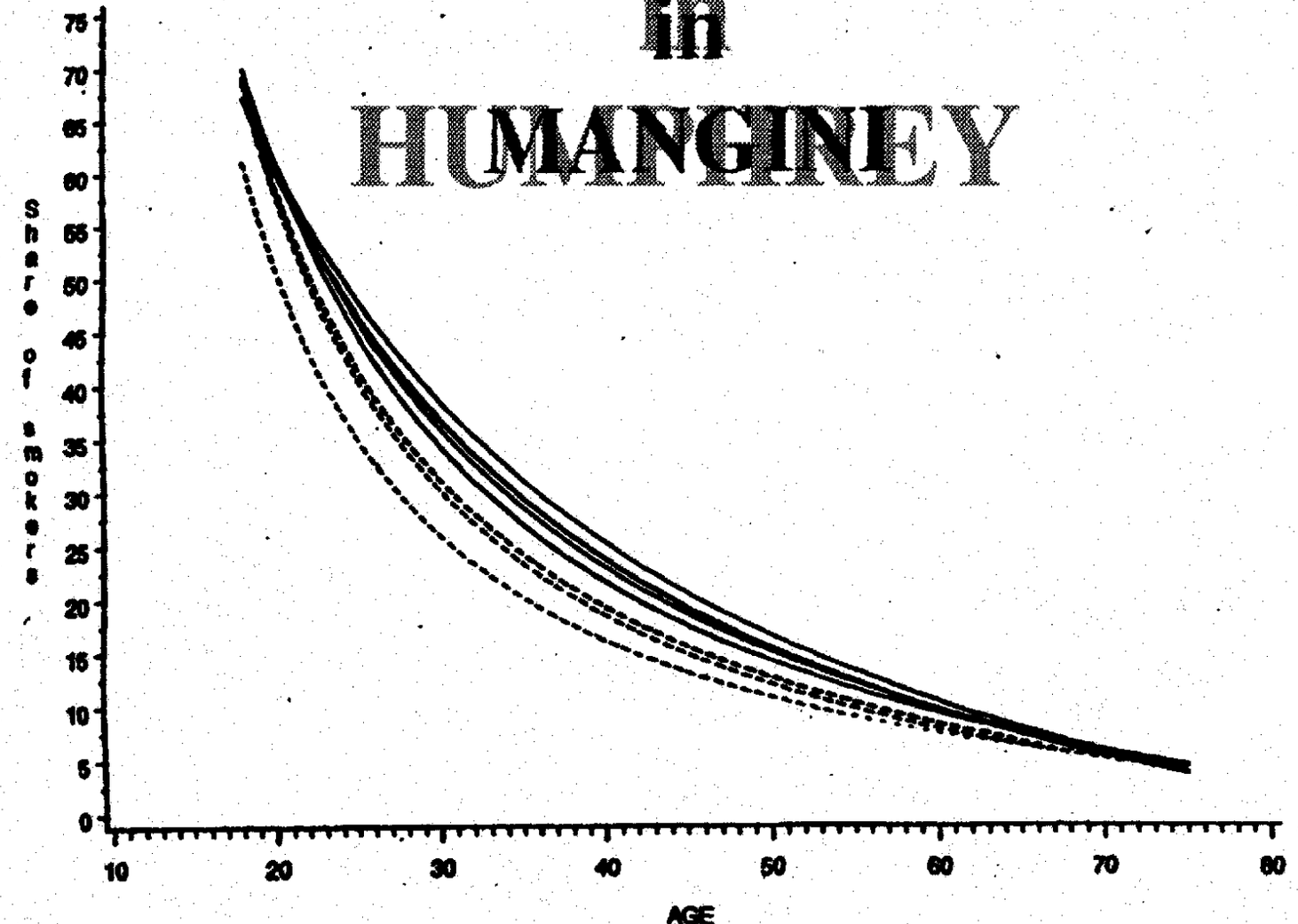

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Newport Share by Age 1985 - 1993

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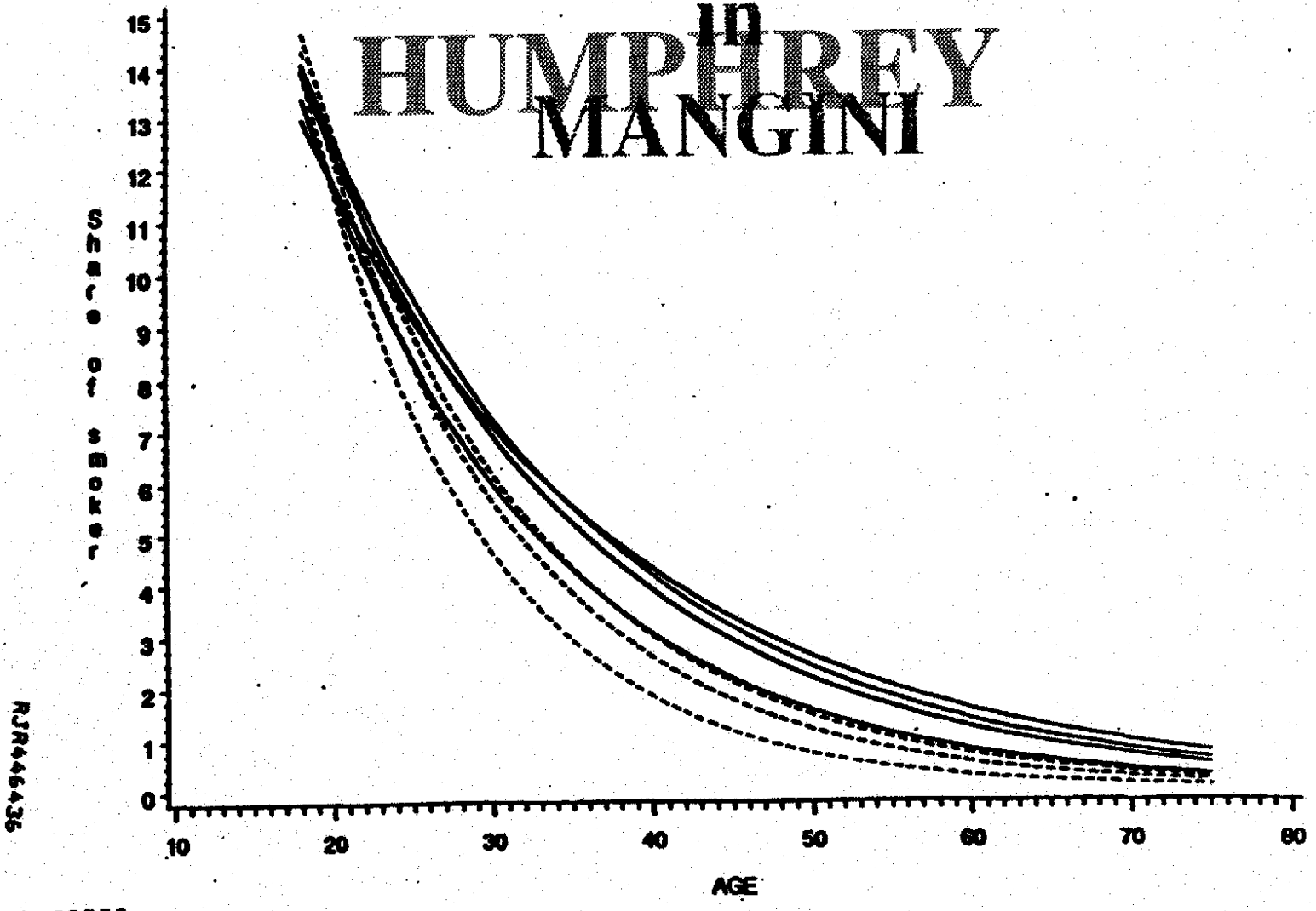

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CDC

August 19, 1994 / Vol. 43 / No. 32

MMWR

MORBIDITY AND MORTALITY WEEKLY REPORT

577 Changes in the Cigarette Brand Preferences of Adolescent Smokers — United States, 1989–1993
581 Medical-Care Spending — United States
587 Occupational Injury Deaths of Postal Workers — United States, 1980–1989
595 Notices to Readers

Produced by RJRTC

Current Trends

Changes in the Cigarette Brand Preferences of Adolescent Smokers — United States, 1989–1993

Approximately three million U.S. adolescents are smokers, and they smoke nearly one billion packs of cigarettes each year (*1*). The average age at which smokers try their first cigarette is 14½ years, and approximately 70% of smokers become regular smokers by age 18 years (*2*). Evaluating the changes in the brand preferences of young smokers can help identify factors that influence adolescents' brand choice and may suggest smoking-prevention strategies (*3,4*). This report examines changes in the brand preferences of teenaged smokers from 1989 to 1993 using data from CDC's 1993 Teenage Attitudes and Practices Survey (TAPS-II) and comparing them with data from the 1989 TAPS.

For TAPS, data on knowledge, attitudes, and practices regarding tobacco use were collected from a national household sample of adolescents (aged 12–18 years) by telephone interviews. For TAPS-II, interviews were conducted during February–May 1993. Of the 9135 respondents to the 1989 TAPS, 7960 (87.1%) participated in TAPS-II (respondents were aged 15–22 years when TAPS-II was conducted).* In addition, 4992 (89.3%) persons from a new probability sample (n=5590 persons aged 10–15 years) participated in TAPS-II. Data for the 12–18-year-olds in each survey were analyzed (n=9135 for TAPS; n=7311 for TAPS-II). Because numbers for other racial groups were too small for meaningful analysis, data are presented for black, white, and Hispanic adolescents only. Data were weighted to provide national estimates, and confidence intervals (CIs) were calculated by using the standard errors estimated by SUDAAN (*5*). Adolescent current smokers† were asked if they usually bought their own cigarettes, and if so, which brand they usually bought.

Of the 1031 current smokers aged 12–18 years interviewed in 1993, 724 (70%) reported that they usually bought their own cigarettes; the brand they usually bought was ascertained for 702 (97%). Marlboro, Camel, and Newport were the most fre-

*TAPS respondents who completed the survey by mail questionnaire were not eligible for the TAPS-II survey. TAPS-II included household interviews of persons who did not respond by telephone.

†Adolescents who reported smoking cigarettes on 1 or more of the 30 days preceding the survey.

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TABLE 1. Percentage* distribution of cigarette brands usually bought by current smokers† aged 12–18 years who reported usually buying their own cigarettes, by demographic characteristic — United States, Teenage Attitudes and Practices Survey-II, 1993, and overall cigarette brand market shares,§ 1993

		Percentage																	
		Marlboro		Camel		Newport		Winston		Kool		Salem		Virginia Slims		Benson & Hedges		Other brands	
Characteristic	No.	%	(95% CI¶)	%	(95% CI)	%	(95% CI)	%	(95% CI)	%	(95% CI)	%	(95% CI)	%	(95% CI)	%	(95% CI)	%	(95% CI)
Sex																			
Male	370	59.2	(± 6.0)	16.1	(± 5.0)	10.7	(± 3.2)	1.0	(±1.5)	2.3	(± 2.0)	0.1	(±0.5)	0		0.6	(±0.8)	9.1	(±3.3)
Female	332	60.7	(± 5.8)	10.3	(± 3.0)	14.7	(± 3.9)	0.7	(±1.0)	0		1.7	(±1.4)	2.0	(±1.9)	0		9.9	(±3.9)
Race**																			
White	646	63.5	(± 4.3)	14.4	(± 3.1)	8.7	(± 2.4)	1.2	(±1.0)	0.5	(± 0.8)	1.0	(±0.8)	1.0	(±1.0)	0.2	(±0.4)	9.4	(±2.8)
Black	45	8.5	(± 8.5)	0		70.4	(±14.1)	0		11.9	(±10.9)	1.4	(±2.7)	0.5	(±1.0)	1.7	(±3.3)	5.5	(±6.0)
Ethnicity††																			
Hispanic	50	45.4	(±14.9)	10.1	(± 7.7)	34.0	(±15.1)	6.0	(±8.1)	4.5	(± 8.6)	0		0		0		0	
Non-Hispanic	647	60.9	(± 4.3)	13.6	(± 3.1)	11.0	(± 2.5)	0.8	(±0.7)	0.9	(± 0.8)	1.1	(±0.8)	1.1	(±1.0)	0.3	(±0.4)	10.4	(±2.9)
Age (yrs)																			
12–15	140	49.5	(± 9.2)	13.0	(± 7.1)	19.4	(± 6.9)	2.8	(±3.1)	3.7	(± 3.8)	0.4	(±0.7)	0.1	(±0.3)	0		11.1	(±5.3)
16–18	562	63.1	(± 4.4)	13.4	(± 3.0)	10.6	(± 2.6)	0.7	(±0.7)	0.4	(± 0.6)	1.2	(±0.9)	1.2	(±1.2)	0.4	(±0.5)	9.0	(±2.9)
Region§§																			
Northeast	146	54.1	(±10.7)	5.1	(± 3.6)	30.1	(± 8.8)	0.6	(±1.2)	0		0.6	(±1.3)	1.8	(±2.5)	0		7.6	(±6.5)
Midwest	223	61.6	(± 6.7)	15.0	(± 4.6)	11.6	(± 4.8)	0.9	(±1.3)	1.2	(± 1.6)	2.4	(±1.9)	0.8	(±1.1)	0.4	(±0.7)	6.1	(±4.1)
South	217	67.1	(± 6.5)	9.5	(± 3.9)	8.0	(± 3.1)	0.9	(±1.3)	1.5	(± 1.8)	0.6	(±1.2)	1.0	(±2.0)	0.5	(±1.1)	10.7	(±4.4)
West	116	50.3	(±10.6)	27.1	(±10.8)	3.2	(± 3.1)	2.6	(±3.6)	2.0	(± 3.8)	0		0.2	(±0.4)	0		14.7	(±7.4)
Total	782	60.6	(± 4.2)	13.3	(± 2.9)	12.7	(± 2.7)	1.2	(±0.9)	1.2	(± 1.0)	1.0	(±0.7)	1.0	(±0.9)	0.3	(±0.4)	9.5	(±2.6)
Overall market share, 1993§		*23.5*		*3.9*		*4.8*		*6.7*		*3.0*		*3.9*		*2.3*		*2.5*		*49.4*	

*Percentages and confidence intervals are based on weighted data.
†Adolescents who reported smoking cigarettes on 1 or more of the 30 days preceding the survey.
§Source: reference *8*; based on total estimated brand-specific cigarette sales in the United States.
¶Confidence interval.
**Excludes the category "other" (n=11); numbers for these racial groups were too small for meaningful analysis.
††Excludes five persons for whom ethnicity was unknown.
§§Northeast=Connecticut, Maine, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, and Vermont; Midwest=Illinois Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, and Wisconsin; South=Alabama, Arkansas, Delaware, District of Columbia, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia, and West Virginia; and West=Alaska, Arizona, California, Colorado, Hawaii, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Washington, and Wyoming.

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Adolescent Smokers — Continued

quently purchased brands for 86% of the adolescents (Table 1). Marlboro was the most commonly purchased brand for both male (59% [95% CI=±6.0%]) and female (61% [95% CI=±5.8%]) adolescents; the second most commonly purchased brand among males was Camel (16% [95% CI=±5.0%]) and among females was Newport (15% [95% CI=±3.9%]). Marlboro was the most commonly purchased brand among white (64% [95% CI=±4.3%]) and Hispanic (45% [95% CI=±14.9%]) adolescents; black adolescents most frequently purchased Newport (70% [95% CI=±14.1%]). Younger smokers (aged 12–15 years) were more likely than older smokers (aged 16–18 years) to buy Newport and less likely to buy Marlboro; purchasing frequency for Camel cigarettes was similar among all adolescents.

Among adolescents nationwide, Marlboro was the most commonly purchased brand (Table 1). However, by region[5], Camel was most commonly purchased in the West (27% [95% CI=±10.8%]), and Newport, in the Northeast (30% [95% CI=±8.8%]).

From 1989 to 1993, substantial changes in brand preference occurred among adolescents (Table 2). The percentage of adolescents purchasing Marlboro cigarettes decreased 8.7 percentage points (13% decrease), the percentage of adolescents purchasing Camel cigarettes increased 5.2 percentage points (64% increase), and the percentage purchasing Newport cigarettes increased 4.5 percentage points (55% increase). These changes did not completely correlate with changes in overall cigarette market share during 1989–1993. During this period, the overall market share for Camel and Newport remained nearly unchanged, but the overall market share for Marlboro decreased by 2.8 percentage points (11% decrease).

For Marlboro cigarettes, the decreases in brand preference were greatest among white adolescents, younger smokers, and adolescents residing in the Northeast, Midwest, and West (Table 1) (*6*). Increases in brand preference for Camel cigarettes were greatest among white adolescents and adolescents residing in the Midwest and West, and increases for Newport cigarettes were greatest among younger smokers and adolescents residing in the Northeast.

Reported by: D Barker, MHS, Robert Wood Johnson Foundation, Princeton, New Jersey. Office on Smoking and Health, National Center for Chronic Disease Prevention and Health Promotion, CDC.

Editorial Note: Because cigarette sales to adolescents constitute a small percentage of the total market, overall market share can only be used to estimate the brand preferences of adults. TAPS and TAPS-II indicate that brand preference is more tightly concentrated among adolescents than among adults. In both surveys, at least 85% of adolescent current smokers purchased one of three brands (i.e., Marlboro, Camel, or Newport); however, the three most commonly purchased brands among all smokers accounted for only 35% of the overall market share in 1993.

The three most commonly purchased brands among adolescent smokers were the three most heavily advertised brands in 1993 (*7*), suggesting that cigarette advertising influences adolescents' brand preference. In 1993, Marlboro, Camel, and Newport

[5]The four regions were Northeast (Connecticut, Maine, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, and Vermont), Midwest (Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, and Wisconsin), South (Alabama, Arkansas, Delaware, District of Columbia, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia, and West Virginia), and West (Alaska, Arizona, California, Colorado, Hawaii, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Washington, and Wyoming).

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Adolescent Smokers — Continued

TABLE 2. Change in self-reported cigarette brand preference among adolescents aged 12–18 years* and change in overall cigarette brand market share† from 1989 to 1993 — United States, Teenage Attitudes and Practices Survey (TAPS), 1989 and 1993

Brand	Adolescent brand preference, 1989	Rank	Adolescent brand preference, 1993	Rank	Change in adolescent brand preference, 1989 to 1993
Marlboro	68.7	1	60.0	1	-8.7
Camel	8.1	3	13.3	2	+5.2
Newport	8.2	2	12.7	3	+4.5
Winston	3.2	4	1.2	4	-2.0
Kool	1.0	7	1.2	4	+0.2
Salem	1.5	5	1.0	6	-0.5
Benson & Hedges	1.4	6	0.3	7	-1.1

Brand	Overall market share, 1989	Rank§	Overall market share, 1993	Rank§	Change in overall market share, 1989 to 1993
Marlboro	26.3	1	23.5	1	-2.8
Camel	3.9	6	3.9	7	0
Newport	4.7	5	4.8	5	+0.1
Winston	9.1	2	6.7	2	-2.4
Kool	5.9	4	3.0	9	-2.9
Salem	6.2	3	3.9	7	-2.3
Benson & Hedges	3.9	6	2.5	10	-1.4

*Data were weighted to provide national estimates. Unweighted sample size for 1989 was 865 and for 1993 was 762.

†From reference *8*. Based on total estimated brand-specific cigarette sales in the United States.

§Rank for brands listed is based on the Maxwell Consumer Report (*8*). Only brands for which data on adolescent brand preference were available in 1989 and 1993 are listed in the table. Missing ranks are for generic brands.

ranked first, second, and third (*7*), respectively, in advertising expenditures. However, Camel and Newport ranked seventh and fifth, respectively, in overall market share (*8*).

Similarly, the increases in adolescents' brand preference for Camel cigarettes and the decrease in preference for Marlboro cigarettes from 1989 to 1993 are not explained by changes in overall market share for these brands. These changes reflect variability in brand-specific advertising expenditures: from 1989 to 1993, Marlboro advertising decreased from $102 million to $75 million (*7,9*), while Camel advertising increased from $27 million to $43 million (*7,9*). In contrast, the increased preference for Newport cigarettes does not reflect the decrease in Newport advertising expenditures from $49 million to $35 million from 1989 to 1993 (*7,9*). The regional differences in brand preference of adolescents and changes in those preferences during 1989–1993 suggest that analysis of the relation between regional advertising expenditures and brand preferences may help to clarify the role of cigarette advertising in influencing adolescents' brand preference.

The findings that black adolescents most commonly purchased mentholated brands (i.e., Newport and Kool) and that Hispanic adolescents most commonly purchased Marlboro are consistent with a previous report (*6*). Racial/ethnic differences in brand preferences of adolescents may be influenced by differences in socioeconomic status and by social and cultural phenomena that require further explanation.

The findings of TAPS-II are subject to at least two limitations. First, the potential exists for nonresponse bias in the follow-up of TAPS respondents. For example, smoking prevalence estimates derived from TAPS-II are lower than those based on other national surveys; TAPS respondents who were successfully followed up in TAPS-II

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Adolescent Smokers — Continued

were less likely to be smokers in 1989 than those who could not be reinterviewed (Office on Smoking and Health, unpublished data, 1994). Second, the small number of black and Hispanic adolescents in TAPS-II lessens the reliability of the brand preference estimates for these subgroups.

Because cigarette advertising may influence brand choice of adolescents (an important component of smoking behavior), legislation may be needed to restrict cigarette advertising to which young persons are likely to be exposed (*10*). In addition, antitobacco advertising may be an effective public health strategy to prevent smoking initiation and encourage smoking cessation among adolescents. Understanding the influence of advertising on adolescent smoking behavior may assist in clarifying the potential role of antismoking advertisements. At least two states (California and Massachusetts) have allocated resources derived from state excise cigarette tax for paid antismoking advertising campaigns aimed at young persons.

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Effectiveness in Disease and Injury Prevention

Medical-Care Spending — United States

One aspect of health-care reform is the role of prevention in controlling costs. To evaluate data on medical spending by disease category, the National Public Services Research Institute examined data from the 1987 National Medical Expenditure Survey (NMES-2), with emphasis on the Medical Provider Survey supplement. This report presents the findings of that analysis.

The NMES-2 was a population-based longitudinal survey in which data were gathered for the civilian, noninstitutionalized U.S. population for January 1–December 31,

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May 12, 1989

To: Mr. S. L. Snyder

From: Ms. D. S. Burrows

Re: Estimated CAMEL SOM Gains from YAS Growth

Attached are the SOM estimates you requested, based on a scenario in which CAMEL Ex. Regular gains 2 points per year of usual brand share among 18-24 year old smokers. (Note that this will not quite get the brand to a 20% share of YAS by 1995, even if Regular keeps its .4%). These estimates suggest that Ex. Regular's YAS gains could generate a 5.1% SOM in 1995, compared to 2.8% in 1989 (on a total market basis, e.g. Consumer Trend).

As we discussed, Steve, the model used to develop these estimates is in a preliminary form and results are quite sensitive to several of the assumptions used in model development, including:

- Government population projections and a rather rough process for aging smokers from one age group to the next, e.g., 1/3 of 18-20 year olds become 21 in each year.
- Continuation of existing incidence trends by age and sex. This could be disrupted by, for example, an FET increase or changes in the demographic impact of "social acceptability". The mix of male/female YAS could be particularly important to CAMEL.
- Continuation of the rate-per-day "life cycle". Although this has remained fairly stable for 20+ years across the industry, CAMEL's pattern may vary from the norm.
- Very rough estimates of underage volume, which is reflected in industry sales, but not measured in any fashion by RJR.
- That CAMEL's profile and loyalty/aging will continue to be the dominant factor in the brand's trend. In fact, the model totally disregards any effects of switching or occasional use.
- For this scenario, the 2-point growth rate was assumed to occur equally among males/females and ages 18-20/21-24. Other mixes could yield significantly different SOM estimates.

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However, these estimates are the best that I can produce short term, since the needed refinements are rather complex. My gut feeling is that you should treat these estimates as the "high side" of the ball park of reality. Also, I would expect Nielsen to show even slower gains, since supermarkets continue to dominate their panel (55% of NCTI volume) and thus they underrepresent YAS sales.

Steve, I hope this helps. Please call if you wish to discuss further.

Diane S. Burrows
Strategic Marketing

DSB/sjh

Attachment

cc: Mr. R. C. Nardine

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SCENARIO: CAMEL EX REGULAR'S SHARE OF 18-24 YEAR OLDS GROWS BY 2 PTS/YR

CAMEL EX	TOTAL 18+	TOTAL 18-20	TOTAL 21-24	TOTAL 18-24	TOTAL 25-34	TOTAL 35-49	TOTAL 50+	EST. TOTAL EX
1988	2.7	4.7	3.6	4.0	3.2	2.5	1.9	2.28
1989	3.0	6.7	5.6	6.0	3.2	2.5	2.0	3.06
1990	3.3	8.7	7.6	8.0	3.4	2.5	2.0	3.33
1991	3.7	10.7	9.6	10.0	3.7	2.7	2.0	3.63
1992	4.0	12.7	11.6	12.0	4.2	2.8	2.0	3.85
1993	4.4	14.7	13.6	14.0	4.7	2.9	2.1	4.30
1994	4.8	16.7	15.6	16.0	5.4	3.0	2.1	4.69
1995	5.2	18.7	17.6	18.0	6.2	3.2	2.1	5.07
1996	5.7	20.7	19.6	20.0	7.0	3.4	2.2	5.52
1997	6.2	22.7	21.6	22.0	8.0	3.7	2.3	6.00
1998	6.8	24.7	23.6	24.0	9.1	4.0	2.3	6.50
1999	7.3	26.7	25.6	26.0	10.2	4.3	2.4	7.03
2000	7.9	28.7	27.6	28.0	11.5	4.7	2.5	7.59
2001	8.6	30.7	29.6	30.0	12.8	5.1	2.6	8.20
2002	9.3	32.7	31.6	32.0	14.2	5.5	2.7	8.86
2003	10.0	34.7	33.6	34.0	15.7	6.0	2.9	9.55
2004	10.8	36.7	35.6	36.0	17.2	6.6	3.0	10.27
2005	11.6	38.7	37.6	38.0	18.9	7.3	3.2	11.04
2006	12.4	40.7	39.6	40.0	20.6	7.9	3.4	11.84
2007	13.3	42.7	41.6	42.0	22.3	8.7	3.6	12.67
2008	14.2	44.7	43.6	44.0	24.1	9.6	3.8	13.54
2009	15.1	46.7	45.6	46.0	25.9	10.5	4.0	14.45
2010	16.1	48.7	47.6	48.0	27.7	11.5	4.3	15.39

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